Supreme Court, U.S.
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No. 00 39

IN THE

Supreme Court of the United States

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,
Petitioner,

v.

CARDTOONS, L.C.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the *Noerr-Pennington* doctrine or the right to petition established by the First Amendment protects objectively reasonable threats of litigation against retaliatory lawsuits brought under state law?

PARTIES TO THE PROCEEDING

All parties to the proceeding are listed in the caption of the case. The Major League Baseball Players Association has no parent corporation and does not issue any stock. See Sup. Ct. R. 29.6.

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PETITION FOR WRIT OF CERTIORARI

Petitioner, the Major League Baseball Players Association, respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Tenth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals *en banc* and the dissent thereto (App. 1a-32a) were entered on April 7, 2000, and are reported at 208 F.3d 885 (10th Cir. 2000). The opinions of the panel of the court of appeals and the dissent thereto (App. 33a-53a) were entered on June 29, 1999 and are reported at 182 F.3d 1132 (10th Cir. 1999). The opinion of the United States District Court for the Northern District of Oklahoma (App. 54a-58a) was entered on March 12, 1998, and is not reported. A previous opinion of the court of appeals in this case (App. 59a-92a) was entered on August 27, 1996, and is reported at 95 F.3d 959 (10th Cir. 1996). A previous decision of the district court (App. 93a-112a) was entered on October 25, 1994 and is reported at 868 F. Supp. 1266 (N.D. Okla. 1994), *granting reconsideration and rev'g* 838 F. Supp. 1501 (N.D. Okla. 1993) (App. 113a-164a).

JURISDICTION

The court of appeals *en banc* entered its decision and judgment on April 7, 2000. App. 1a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION INVOLVED

Constitution of the United States, Amendment I:

> Congress shall make no law . . . abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

INTRODUCTION

In this case, the *en banc* court of appeals held that an objectively reasonable threat of litigation is not protected from retaliatory state law claims by the *Noerr-Pennington* doctrine[1] or the right to petition established in the First Amendment and applied to the States through the Fourteenth Amendment of the Constitution. The court acknowledged that it was overruling a panel decision that had adopted the " 'legal and policy rationales that have informed other circuits' extension of *Noerr-Pennington* immunity to prelitigation threats.' " App. 4a. It nonetheless held that (i) *Noerr-Pennington* protects those petitioning the government only from *antitrust* claims and (ii) the right to petition does not protect even an objectively reasonable threat of litigation, because such a threat does not directly seek action from the courts and thus does not constitute petitioning activity.

In so holding, the Tenth Circuit brought itself into direct conflict (i) with numerous other courts of appeals that have held that *Noerr-Pennington per se* protects objectively reasonable petitioning activity not only from antitrust claims but from all other retaliatory litigation as well, and (ii) with the three other circuits and numerous district courts that have expressly held that an objectively reasonable threat of litigation is petitioning activity protected by the First Amendment. See *infra* at 11-16. The Tenth Circuit's decision thus creates substantial uncertainty in the federal courts about the scope of an important constitutional right.

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[1] The doctrine takes its name from this Court's first decisions articulating that petitioning activity may not be infringed upon by laws such as the Sherman Act. *See Eastern R.R. Presidents Conference* v. *Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers of Am.* v. *Pennington*, 381 U.S. 657 (1965). In *California Motor Transportation Co.* v. *Trucking Unlimited*, 404 U.S. 508 (1972), this Court explained that "[t]he right of access to the courts is indeed but one aspect of the right to petition." *Id.* at 510.

The Tenth Circuit's decision is also in substantial tension with decisions of this Court. On several occasions, this Court has strongly suggested that *Noerr-Pennington* provides protection against *all* claims that would interfere with the objectively reasonable exercise of the constitutional right to petition the courts, not just Sherman Act claims. See, *e.g.*, *Bill Johnson's Restaurants, Inc.* v. *NLRB*, 461 U.S. 731, 734 (1983); *infra* at 11-12. Moreover, this Court has often instructed the lower courts to provide sufficient "breathing space" so as not to chill the exercise of First Amendment rights, and has specifically explained that the right to petition protects indirect as well as direct petitioning. See *Allied Tube & Conduit Corp.* v. *Indian Head, Inc.*, 486 U.S. 492, 503 (1988); *infra* at 12-13. In addition, and most recently, this Court has made clear its deep skepticism about actions filed in retaliation for the assertion of legal rights. See *Professional Real Estate Investors, Inc.* v. *Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993) ("*PREI*"). The Tenth Circuit's restrictive definitions of the *Noerr-Pennington* doctrine and the right to petition simply cannot be reconciled with these teachings.

Finally, contrary to any conceivable constitutional, institutional, or policy interest, as the dissent below explained, the court of appeals' decision "encourages, nay demands, more litigation," App. 17a. By holding that litigation-related acts that do not *directly* seek judicial action are beyond the boundaries of petitioning activity, the decision discourages acts as routine and beneficial as cease-and-desist letters, settlement negotiations, and investigations, and instead promotes "ambush" lawsuits. At the same time, it encourages retaliatory claims against parties that send objectively reasonable cease-and-desist letters or other litigation-related communications. The Tenth Circuit's decision thus simultaneously chills the exercise of a constitutional right and

places unnecessary additional burdens on an already overtaxed court system.

Certiorari should be granted to resolve the conflict among the courts of appeals; to decide the important and recurring question of the application and scope of the *Noerr-Pennington* doctrine and its foundation, the constitutional right to petition the courts; and to remove the harmful and counterproductive incentives to litigate created by the Tenth Circuit's decision.

STATEMENT OF THE CASE

1. The Major League Baseball Players Association ("MLBPA" or "Players Association") is the exclusive collective bargaining representative for all active Major League baseball players. The Players Association also operates a group licensing program and enters into licenses authorizing the use of the group publicity rights of players.[2] In that capacity, the Players Association is responsible for enforcing the group publicity rights of its members by investigating potential violations of players' rights, writing cease-and-desist letters like that at issue here, and, when necessary, taking additional legal action to protect and enforce those rights. App. 2a, 63a.

In May 1993, the Players Association learned that Cardtoons, L.C. was promoting for sale a line of baseball

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[2] An individual's right of publicity is his or her right to control the commercial use of his or her identity, for example, a name or nickname, likeness, voice, or signature. *See* 1 J. Thomas McCarthy, *The Rights of Publicity and Privacy* § 1.1[A][1] (1996); *Restatement (Third) of Unfair Competition* § 46 (1995); *Haelan Labs., Inc.* v. *Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir. 1953). The right of publicity is a cognizable property interest. *Zacchini* v. *Scripps-Howard Broad. Co.*, 433 U.S. 562, 573 (1977). The MLBPA does not license the use of individual players' publicity rights; rather it licenses the publicity rights of groups of three or more members in a single product or product line (such as baseball cards).

trading cards known as "Cardtoons Baseball Parody Cards." App. 63a. Most of the cards had "caricatures of active major league players on the front and humorous commentary about their careers on the back." *Id.* at 60a. Cardtoons had contracted with another entity, Champs Marketing, Inc. ("Champs"), to print, package, warehouse, and ship the cards. *Id.* at 2a, 63a. Because the Players Association had not licensed or consented to the production and sale of the cards and because the cards constituted a commercial use of the names and likenesses of Major League players, the Association considered Cardtoons' product to be an infringement of the players' publicity rights. *Id.* at 2a, 73a.

On June 18, 1993, one of the MLBPA's licensing counsel sent cease-and-desist letters both to Cardtoons and to Champs. It is this letter to Champs that Cardtoons alleged to constitute tortious interference, defamation, negligence and prima facie tort under state law. In pertinent part, the letter states:

> We understand that you have and are in the process of printing color drawings of active Major League baseball players in baseball trading cards for individuals associated with Cardtoons. This is to notify you that we believe that the activities of these individuals violate the valuable property rights of publicity of the MLBPA and the players themselves. Further, we believe that by printing the baseball cards at the request of Cardtoons, you are participating in Cardtoons' illegal activities.
>
> Accordingly, we request that you immediately cease and desist the printing of baseball trading cards of active Major League baseball players at the request of Cardtoons or others who are not authorized to use the likeness of Major League baseball players.
>
> If I do not hear from you immediately confirming that you will agree to this request, I will have no alternative but to take all necessary action to enforce the rights of

the players and the MLBPA against infringement of their rights. App. 2a-3a.

After receiving this letter, Champs decided that it would not print cards for Cardtoons until the Players Association and Cardtoons resolved their legal dispute. *Id.* at 3a, 34a.

2. Four days later, Cardtoons sued the Players Association in federal court. App. 34a. Cardtoons first sought a declaration that its parody cards did not violate section 43(a)(1) of the Lanham Act, 15 U.S.C. § 1125(a)(1), or the Players Association's exclusive licensing rights. Cardtoons further sought injunctive relief and damages for tortious interference with its contractual relationship with Champs. App. 63a-64a. The MLBPA, in turn, filed counterclaims for declaratory judgment, injunctive relief and damages under Oklahoma's right of publicity statute. Okla. Stat. tit. 21, §§ 839.1 and 839.2 (1993); Okla. Stat. tit. 12, § 1449(A). App. 64a. Because Champs had agreed to stop making the cards, no claim was brought against Champs.

Following an expedited trial, a United States magistrate judge issued a report concluding that Cardtoons' cards infringed the players' publicity rights under Oklahoma law. He recommended that the court enter judgment for the Players Association, and the district court adopted this recommendation, see App. 113a-164a. But following the issuance of this Court's decision in *Campbell* v. *Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), the district court reconsidered its original decision and held that Cardtoons' parody cards were entitled to First Amendment protection. See App. 93a-112a.

The Court of Appeals for the Tenth Circuit affirmed. It agreed that although Cardtoons' parody cards violated Oklahoma's publicity rights statute, they were nonetheless entitled to "full protection under the First Amendment." App. 74a.

3. (a) The matter then returned to the district court, where Cardtoons pursued its claim for tortious interference and filed an amended complaint adding claims for libel, prima facie tort and negligence. All of the tort claims were based solely on the cease-and-desist letter sent to Champs. App. 4a. Cardtoons sought extensive discovery concerning the Players Association's subjective purpose and intent in sending the cease-and-desist letters. See *infra* at 25 n.13.

The Players Association moved for summary judgment, claiming that the letter its attorney sent to Cardtoons was immune from liability under the *Noerr-Pennington* doctrine. The district court granted the motion, holding that "the case history establishes [the] objective reasonableness [of the Players Association's threatened legal action]. The Report and Recommendation of the Magistrate, the initial ruling of this Court and the conclusions of the appellate court all acknowledge the reasonableness of MLBPA's position and the fact that the issue presented a close call." App. 57a. Thus, the court held, as a matter of law on the undisputed facts, that Cardtoons could not invoke the "sham" exception to *Noerr-Pennington* immunity for legal claims made without any objective basis. See *PREI*, 508 U.S. 49 (1993).

Cardtoons appealed to the Tenth Circuit. A panel of that court affirmed the district court, 2-1. The panel "adopt[ed] the legal and policy rationales that have informed other circuits' extension of *Noerr-Pennington* immunity to pre-litigation threats, and h[e]ld that whether or not they are consummated, such threats enjoy the same level of protection from liability as litigation itself." App. at 39a. Moreover, the panel agreed that the Players Association's letter was itself objectively reasonable and thus could not be considered a "sham." *Id.* at 44a. Accordingly, the panel held, the cease-and-desist letter to Champs could not provide the basis for a tort suit against the Players Association.

Cardtoons filed a petition for rehearing with a suggestion for rehearing *en banc*, which the Tenth Circuit granted.

(b) Sitting *en banc*, the Tenth Circuit reversed the panel 7-3.[3] It held that prelitigation threats may constitute the basis for a state tort law suit and are not protected by the *Noerr-Pennington* doctrine or the First Amendment right to petition, even when the prelitigation threats are objectively reasonable.

The court first held that the *Noerr-Pennington* doctrine did not protect petitioning activity from retaliatory lawsuits other than those brought under the antitrust laws. It thus refused to apply *Noerr-Pennington* to the retaliatory state law tort claims in this case. App. 8a-9a. Second, the court held that the constitutional right to petition did not protect even an objectively reasonable cease-and-desist letter from state law tort claims. In the court's view, the "plain language of the First Amendment protects only those petitions which are made to 'the Government.' " *Id.* at 13a. The court "reject[ed]" the holdings of the other courts of appeals "to the extent they imply that the mere threat of suit between private parties constitutes a petition to the government." *Id.* at 14a.

Three judges dissented. They began by stating that they could not "agree with the majority's proposition that the First Amendment protects an owner of intellectual property rights who blindsides an adversary with a lawsuit claiming infringement of those rights, but fails to shield the same owner when a more civilized notice and demand letter is sent in advance." App. 16a-17a. "[T]here is no sound basis for the conclusion that a complaint will be afforded immunity while a 'cease-and-desist' letter will not, when both documents contain identical allegations." *Id.* at 17a. The dissent further observed that "[t]he majority's ruling encourages, nay demands, more litigation." *Id.*

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[3] Senior Judge McWilliams, who had been part of the panel majority, did not sit with the court *en banc*.

The dissent explained that "[b]ecause of its foundation in the First Amendment right to petition," the *Noerr-Pennington* doctrine has been applied not only to antitrust claims but also to other state law and federal statutory claims and is now an "umbrella term for First Amendment petitioning immunity." App. 19a, 20a (citing *Bill Johnson's Restaurants* 461 U.S. at 734 and *NAACP* v. *Claiborne Hardware*, 458 U.S. 886 1982)). " '[T]here is simply no reason that a common-law tort doctrine can any more permissibly abridge or chill the constitutional right of petition than can a statutory claim such as antitrust.' " *Id.* at 22a (quoting *Video Int'l Prod., Inc.* v. *Warner-Amex Cable Communications, Inc.*, 858 F.2d 1075, 1084 (5th Cir. 1988)).

The dissent also pointed out that this Court has "suggested that application of immunity to activities, such as threats of litigation, incidental to the normal processes of litigation would be consistent with its holdings." App. 23a (quoting *Allied Tube & Conduit Corp.*, 486 U.S. at 503). A cease-and-desist letter is a demand for "adherence to the law, a demand every citizen has a right to assert," and "its significance and efficacy are derived from the existence of laws creating and protecting intellectual property rights and the existence of courts to enforce those laws, not the brooding threat of force." *Id.* at 24a. The dissent pointed out that the *en banc* majority's decision not to protect cease-and-desist letters conflicts with the decisions of numerous other courts. *Id.* at 27a-28a (citing cases).

Finally, the dissenters said, "[a]pplying petitioning immunity to widely-used methods of enforcing legal rights that precede any direct communication with the courts is also compelled by the Supreme Court's pronouncement that First Amendment rights require 'breathing space' to survive." App. at 25a (citing, *inter alia*, *New York Times Co.* v. *Sullivan*, 376 U.S. 254, 272 (1964)). Refusing to protect such activity "chills the right to petition the courts by handicapping

activity immediately precedent to, and intimately associated with, recourse to the judicial process." *Id.* at 26a.

REASONS FOR GRANTING THE PETITION

In this case, it is not and cannot be disputed that the Players Association had probable cause to believe that Cardtoons and Champs were violating the players' publicity rights and, accordingly, that the Association's cease-and-desist letter to Champs was objectively reasonable. App. 32a, 57a, 74a.[4] Nonetheless, in conflict with other courts of appeals and many district courts, the *en banc* Tenth Circuit held that the *Noerr-Pennington* doctrine and the First Amendment right to petition do *not* protect an objectively reasonable cease-and-desist letter from becoming the subject of a retaliatory lawsuit. The court's decision, thus, subjects cease-and-desist letters and other routine litigation activity that does not directly seek action from a court (*e.g.*, settlement discussions and claim investigation) to tort liability, chilling exercise of a First Amendment right, discouraging objectively reasonable conduct that benefits litigants and the courts, and "encourag[ing] . . . more litigation," *id.* at 17a. For these reasons, certiorari should be granted.

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[4] The Players Association's claim plainly was objectively reasonable. Both the district court and the Tenth Circuit held that the actions of Cardtoons *violated* Oklahoma law, only later concluding that Oklahoma law ran afoul of the First Amendment. Now, ironically, Cardtoons is suing the Players Association for its attempt to vindicate its rights under Oklahoma law, and the Tenth Circuit has held that the First Amendment offers the Players Association no protection.

I. THE TENTH CIRCUIT'S DECISION CREATES A CONFLICT AMONG THE COURTS OF APPEALS AND IS PART OF A BROAD CONFLICT AMONG FEDERAL COURTS GENERALLY.

A. The Tenth Circuit's Decision That The *Noerr-Pennington* Doctrine Protects Petitioning Activity Only From Retaliatory Antitrust Claims Conflicts With The Decisions Of Other Courts Of Appeals And With Decisions Of This Court.

The Tenth Circuit's utterly counter-intuitive holding that the *Noerr-Pennington* doctrine protects petitioning activity from retaliatory suits *only* if that suit is brought under federal antitrust laws conflicts with decisions of other courts of appeals to consider the question and with the decisions of at least two state supreme courts. Myriad cases hold that *Noerr-Pennington* protection extends to and protects litigation involving other federal and state statutory and common law rights. See *We, Inc.* v. *City of Philadelphia*, 174 F.3d 322, 326-27 (3d Cir. 1999); *Cheminor Drugs, Ltd.* v. *Ethyl Corp.*, 168 F.3d 119, 128-29 (3d Cir.), *cert. denied*, 120 S. Ct. 173 (1999); *Eaton* v. *Newport Bd. of Educ.*, 975 F.2d 292 (6th Cir. 1992); *Oregon Natural Resources Council* v. *Mohla*, 944 F.2d 531, 533 (9th Cir. 1991); *Havoco of Am., Ltd.* v. *Hollobow*, 702 F.2d 643, 649-50 (7th Cir. 1983); *Suburban Restoration Co.* v. *ACMAT Corp.*, 700 F.2d 98, 101 (2d Cir. 1983); *Missouri* v. *National Org. for Women, Inc.*, 620 F.2d 1301, 1319 (8th Cir. 1980); *Video Int'l Prod., Inc.* v. *Warner-Amex Cable Communications, Inc.*, 858 F.2d 1075, 1084 (5th Cir. 1988); *Feminist Women's Health Ctr., Inc.* v. *Mohammad*, 586 F.2d 530, 551 (5th Cir. 1978); *Pacific Gas & Elec. Co.* v. *Bear Stearns & Co.*, 791 P.2d 587, 595-98 (Cal. 1990) (en banc); *Protect Our Mountain Env't, Inc.* v.

District Court, 677 P.2d 1361, 1364-69 (Colo. 1984) (en banc).[5]

Moreover, the decisions of this Court establishing and defining the *Noerr-Pennington* doctrine demonstrate that it protects objectively reasonable petitioning activity from *all* retaliatory lawsuits, not just from antitrust claims. The origin of the *Noerr-Pennington* doctrine is, after all, not the Sherman Act, but the petition clause of the First Amendment. In *Noerr*, this Court concluded that it was constrained to interpret the Sherman Act narrowly in order not to infringe upon rights protected by the petition clause of the First Amendment. See *Noerr*, 365 U.S. at 137-38 ("[t]he right of petition is one of the freedoms protected by the Bill of Rights, and we cannot . . . lightly impute to Congress an intent to invade these freedoms"). On this theory, the Court has extended the *Noerr-Pennington* doctrine to protect petitioning activity from retaliatory claims based not only on the antitrust laws, but on other statutory and common law rights as well. For example, in *Bill Johnson's Restaurants, Inc.*, 461 U.S. at 734, the Court carefully cabined the National Labor Relations Act ("NLRA") to avoid infringing upon the right to petition. And in *NAACP* v. *Claiborne Hardware Co.*, 458 U.S. 886, 889-92 (1982), the Court held that the First Amendment protected a civil rights boycott from several state law claims, including interference with business relations. See also *PREI*, 508 U.S. at 59 (observing that the Court has "invok[ed *Noerr*] in other contexts" and "by analogy").[6] As the Fifth

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[5] Federal district courts are in agreement. See Aaron R. Gary, *First Amendment Petition Clause Immunity from Tort Suits: In Search of A Consistent Doctrinal Framework*, 33 Idaho L. Rev. 67, 88, 95-97 & nn.119, 165-170 (1996) (citing numerous cases).

[6] The Tenth Circuit implies that this Court granted *Noerr-Pennington* immunity for lobbying in *City of Columbia* v. *Omni Outdoor Advertising*, 499 U.S. 365, 383 (1991), but "permitt[ed] liability under state law 'trade libel' and other claims based on the same underlying conduct." App. 7a-8a. The court of appeals is wrong; *Omni Outdoor Advertising* actually

Circuit has aptly put it, "[t]here is simply no reason that a common-law tort doctrine can any more permissibly abridge or chill the constitutional right of petition than can a statutory claim such as antitrust." *Video Int'l Prod.*, 858 F.2d at 1084. This Court's decisions show that *Noerr-Pennington* protection exists in both contexts.

In this case, the Tenth Circuit refused even to consider whether the *Noerr-Pennington* doctrine protects the Players Association's cease-and-desist letter to Champs, because it held that the *Noerr-Pennington* doctrine protects objectively reasonable petitioning activity only from antitrust claims. That holding conflicts with the decisions of other courts of appeals and this Court, and therefore warrants further review.

B. The Tenth Circuit's Decision That The First Amendment Right Of Petition Does Not Protect The Sending Of An Objectively Reasonable Cease-And-Desist Letter Conflicts With The Decisions Of All Other Courts Of Appeals To Address The Question.

After rejecting the application of the *Noerr-Pennington* doctrine to this case, the Tenth Circuit addressed whether the petition clause of the First Amendment by itself protects the cease-and-desist letter at issue from a retaliatory state tort suit. Again, in conflict with the three other courts of appeals and virtually all district courts to consider the question, the

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suggests that there can be no state law liability for conduct protected by the *Noerr-Pennington* doctrine. As this Court explained, in *Omni*, the plaintiff had claimed that, in addition to lobbying, the defendant "engaged in *private* anticompetitive actions." 499 U.S. at 384 (emphasis supplied). Thus, although the verdict could not be permitted to stand "*since it was based on instructions that erroneously permitted liability for seeking the ordinances*," the Court held that "if the evidence was sufficient to sustain a verdict on the basis of *these other actions alone*, . . . [the plaintiff] would be entitled to a new trial." *Id.* (emphasis supplied).

Tenth Circuit held that the petition clause does not extend to objectively reasonable assertions of legal rights accompanied by threats of litigation. The court believed that "[t]he plain language of the First Amendment protects only those petitions which are made to 'the Government,' " — *i.e.*, only direct requests for *government*, here judicial, action. App. 13a.

The seminal conflicting decision is *Coastal States Marketing, Inc.* v. *Hunt*, 694 F.2d 1358 (5th Cir. 1983). There the plaintiff complained, *inter alia*, that threats of litigation made by defendants to plaintiff's potential customers violated the antitrust laws. The Fifth Circuit flatly rejected the argument that "because threats of litigation are not directed to a government, they do not fall within the rationale of petitioning immunity," and held that the right to petition protects "those acts reasonably and normally attendant upon effective litigation," including pre-litigation warnings issued by counsel. *Id.* at 1367. The court explained:

> The litigator should not be protected only when he strikes without warning. If litigation is in good faith, a token of that sincerity is a warning that it will be commenced and a possible effort to compromise the dispute. This is the position taken by most of the courts that have considered the question. [*Id.* (citing cases).][7]

Other courts of appeals have expressly endorsed the reasoning and followed the holding in *Coastal States Marketing*. See *Glass Equip. Dev., Inc.* v. *Besten, Inc.*, 174 F.3d 1337, 1343-44 (Fed. Cir. 1999) (holding that there can

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[7] In support of its argument that *Coastal States Marketing* is simply a construction of the Sherman Act, the Tenth Circuit inaptly quotes that opinion's statement "reject[ing] the notion that petitioning immunity extends only so far as the first amendment right to petition and then ends abruptly." 694 F.2d at 1366. In so stating, *Coastal States Marketing* was not even addressing the question whether a cease-and-desist letter is petitioning activity. Instead, it was addressing whether *Noerr-Pennington* "applies to efforts to influence foreign governments" and holding that it does. *Id.*

be no liability for "actual or threatened infringement suits");[8] *McGuire Oil Co.* v. *Mapco, Inc.*, 958 F.2d 1552 (11th Cir. 1992) (holding that "such threats, no less than the actual initiation of litigation" are protected). Cf. *CVD, Inc.* v. *Raytheon Co.*, 769 F.2d 842, 850-51 (1st Cir. 1985) (strongly suggesting that only "the threat of unfounded trade secrets litigation *in bad faith* is sufficient to constitute a cause of action under the antitrust laws") (emphasis supplied); *Alexander* v. *National Farmers Org.*, 687 F.2d 1173, 1200 (8th Cir. 1982) (strongly suggesting that where threatened and actual litigation are in good faith, they are protected by *Noerr-Pennington* and that in its absence, the contrary is true).

Many district courts are in accord. For example, in *Miller Pipeline Corp.* v. *British Gas PLC*, 69 F. Supp. 2d 1129, 1138 (S.D. Ind. 1999), the court held that:

> [E]xtension of the "sham litigation" doctrine to activities that fall short of litigation but which manifest the patentholder's intent to protect its rights through judicial action, if necessary, is the more real and practical rule and is consistent with the public interest in protecting access to the courts, a right derived at least in part from the First Amendment.

See also *PrimeTime 24 Joint Venture* v. *NBC*, 21 F. Supp. 2d 350, 356 (S.D.N.Y. 1998) ("courts and commentators consistently have recognized that conduct or communication which is incident to or attendant upon effective litigation should also receive *Noerr* immunity"); *Matsushita Elecs. Corp.* v. *Loral Corp.*, 974 F. Supp. 345, 359 (S.D.N.Y. 1997) (holding that acts incidental to litigation, such as letters threatening suit, are protected even when no lawsuit is ever filed); *Thermos Co.* v. *Igloo Prods., Inc.*, No. 93 C 5826, 1995 WL 745832, at *5 (N.D. Ill. Dec. 13, 1995) (*Noerr-*

[8] *See also Virginia Panel Corp.* v. *MAC Panel Co.*, 133 F.3d 860, 873 (Fed. Cir. 1997) (patentees may "pu[t] suspected infringers on notice of suspected infringement"), *cert. denied*, 525 U.S. 815 (1998).

Pennington protection includes prelitigation threats); *Barq's, Inc.* v. *Barq's Beverages, Inc.*, 677 F. Supp. 449, 453 (E.D. La. 1987) ("actions . . . which preceded [the litigation — including demand letters] — were also protected"); *Aircapital Cablevision, Inc.* v. *Starlink Communications Group, Inc.*, 634 F. Supp. 316, 326 (D. Kan. 1986) ("[i]f resort to the courts is protected by *Noerr-Pennington*, then threats to do so . . . are likewise immune"); *Consortium* v. *Knoxville Int'l Energy Exposition*, 563 F. Supp. 56, 59 (E.D. Tenn. 1983) (conduct "short of filing lawsuits[] must also be protected if the right of access to the courts is to have significance"); *Outboard Marine Corp.* v. *Pezetel*, 474 F. Supp. 168, 174 (D. Del. 1979) ("threats to [file suit], without more, are likewise immune"); *Pennwalt Corp.* v. *Zenith Labs., Inc.*, 472 F. Supp. 413, 424 (E.D. Mich. 1979) (protecting threatened litigation from counter-suit). But see *Laitram Mach., Inc.* v. *Carnitech A/S*, 901 F. Supp. 1155, 1161 (E.D. La. 1995); *Oahu Gas Serv., Inc.* v. *Pacific Resources, Inc.*, 460 F. Supp. 1359, 1386 (D. Haw. 1978).

Both the *en banc* Tenth Circuit and the dissent recognized that the Tenth Circuit's decision generates a conflict among the courts of appeals. The majority acknowledged that the panel decision it was overruling had adopted " 'the legal and policy rationales that have informed other circuits' extension of *Noerr-Pennington* immunity to pre-litigation threats.' " App. 4a. Then, citing contrary authority, the majority stated "we reject it. . . to the extent [it] impl[ies] that the mere threat of suit between private parties constitutes a petition to the government." *Id.* at 14a. And the dissent cited the cases that are contrary to the majority's holding and stated that it would "follow [those] other federal courts" and hold that objectively

reasonable cease-and-desist letters are protected by the First Amendment right of petition *Id.* at 27a-28a.[9]

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The conflict among the circuits and the federal courts on the issues presented by this case is now broad and well developed. The conflicting views are entrenched and have been thoroughly and thoughtfully articulated. The issues are squarely presented in this case. Review by this Court is warranted.

II. THE QUESTION WHETHER AN OBJECTIVELY REASONABLE PRE-LITIGATION CEASE-AND-DESIST LETTER IS PROTECTED FROM RETALIATORY SUIT UNDER STATE TORT LAW IS IMPORTANT AND RECURRING.

The inevitable result of the court of appeals' holding will be increased litigation. As Judge Lucero said in his dissenting opinion:

> [T]he majority's proposition [is] that the First Amendment protects an owner of intellectual property rights who blindsides an adversary with a lawsuit claiming

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[9] In other contexts, the lower courts have recognized that indirect petitioning is protected by the *Noerr-Pennington* doctrine and the right to petition. *See International Bhd. of Teamsters Local 734 Health & Welfare Trust Fund* v. *Philip Morris, Inc.*, 196 F.3d 818, 826 (7th Cir. 1999) (holding that cigarette manufacturers' public statements made to influence Congress constitute petitioning activity); *Columbia Pictures Indus., Inc.* v. *Professional Real Estate Investors, Inc.*, 944 F.2d 1525, 1528 (9th Cir. 1991) ("[a] decision to accept or reject an offer of settlement is conduct incidental to the prosecution of the suit and not a separate and distinct activity which might form the basis for antitrust liability"), *aff'd*, 508 U.S. 49 (1993); *Modesto Irrigation Dist.* v. *Pacific Gas & Elec. Co.*, 61 F. Supp. 2d 1058, 1069-71 (N.D. Cal. 1999) (holding that a refusal to sell electricity was "incidental" to petition to the Federal Energy Regulatory Commission and thus was immune from antitrust liability unless the petition was a sham).

> infringement of those rights, but fails to shield that same owner when a more civilized notice and demand letter is sent in advance. Put another way, there is no sound basis for the conclusion that a complaint will be afforded immunity while a "cease-and-desist" letter will not, when both documents contain identical allegations. . . . *[T]he practical result of the majority's holding will be to force parties seeking to prevent the wrongful infringement of their intellectual property rights to ambush infringers with lawsuits or risk having to defend against retaliatory tort claims.* [App. 16a-17a (emphasis supplied).]

It is difficult to overstate the degree to which the Tenth Circuit's ruling may alter the habits of potential plaintiffs. Litigation related to intellectual property rights is virtually always preceded by a cease-and-desist letter from one party or its attorney to the other party or its attorney. Such letters are considered part-and-parcel of litigation to enforce such rights. See Ronald B. Coolley, *Notifications of Infringement and Their Consequences*, 77 J. Pat. & Trademark Off. Soc'y 246 (1995); App. 17a ("the reality of intellectual property law" is that "enforcement of legal rights, and thus the invocation of the litigation process, is customarily commenced by a cease-and-desist letter"). Moreover, cease-and-desist letters are a time-honored, practical component of good faith litigation generally; they are, as the Fifth Circuit put it, "reasonably and normally attendant upon effective litigation." *Coastal States Mktg.*, 694 F.2d at 1367. Indeed, when the Players Association has identified an infringement of players' publicity rights, its counsel generally sends a cease-and-desist letter prior to filing suit; often such a letter results in communication that allows the parties to avoid the courthouse altogether.

Given the decision below, this will be true no longer. From now on, the Players Association's counsel necessarily will

hesitate to send cease-and-desist letters, even though they are unquestionably reasonable, because they could lead to a tort claim against the Association. Under these changed circumstances, the result may well be a policy that amounts to "sue first, and talk later." And, the Players Association is not unique. Many rights holders have disputes in virtually all parts of the country, and the internet and "e-commerce" provide an infringer with additional possibilities when shopping for a forum in which to file a retaliatory suit. If the decision below stands, counsel for every rights-holder will have to consider whether he or she is putting the client at risk for a retaliatory tort suit by sending a cease-and-desist letter before filing suit. The pressure to "sue first" will become irresistible.

Such a result would ill serve any rational notion of judicial economy. A cease-and-desist letter offers litigants an opportunity to resolve or compromise their interests prior to engaging in the formal conflict of civil proceedings before a court. It may prevent the needless expenditure of the parties' and the courts' time and resources. Accordingly, "it would be anomalous and socially counter-productive to protect the right to sue but not the right to *threaten* a lawsuit." 1 Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* § 205e (rev. ed. 1997). See *id.* (withholding immunity from prelitigation communication would curb practices that "provide useful notice and facilitate the resolution of controversies"); Herbert Hovenkamp, *Federal Antitrust Policy* § 18.3d (1994) (the protection of prelitigation threats is vital to "[o]ur entire dispute resolution process[, which] is designed to encourage people to resolve their differences if possible before litigating").

Moreover, the court of appeals' decision will discourage not only cease-and-desist letters, but other beneficial litigation-related activity as well. The Tenth Circuit's position is that only *direct requests* for government action are protected

by the petition clause. If that restrictive interpretation of the right to petition is adopted, then things said or actions routinely taken in connection with litigation — settlement discussions, claim investigation, and witness interviews, *inter alia* — are not protected. By withdrawing protection from all such litigation-related activity, the court necessarily discourages it. More litigation will inexorably follow.

The Tenth Circuit's decision will generate litigation in yet another way. If routine elements of litigation, such as cease-and-desist letters, settlement discussions, and investigations, may form the basis for a state law tort suit, even if objectively reasonable, many such suits will be filed. And, of course, those rights-holders bold enough or ignorant enough to send cease-and-desist letters, to initiate settlement discussions, and to conduct investigations will defend retaliatory suits based on the *Noerr-Pennington* doctrine and the right to petition. The Tenth Circuit's holding in this case ensures that the question presented here will recur until this Court resolves it.

The pernicious effects of the Tenth Circuit's decision — the prompting of ambush lawsuits, the encouragement of retaliatory tort claims, the discouragement of settlement discussions, and the invitation to engage in extensive litigation over the parameters of the right to petition — ultimately lead to the same unfortunate result. The courts will be burdened with more litigation, much of it unnecessary. To avoid these undesirable consequences, this Court should hear this case and decide the issue now.

Finally, the issue presented by this petition is the scope of the First Amendment right to petition, which is "among the most precious of the liberties safeguarded by the Bill of Rights." *United Mine Workers of Am., Dist. 12* v. *Illinois State Bar Ass'n*, 389 U.S. 217, 222 (1967). The question of the scope of a constitutional right is inherently important. That importance is heightened when, as here, that question has become the subject of conflict among the courts of

appeals and when a court of appeals has issued an incorrect decision that imposes a cramped interpretation of the First Amendment and will chill the exercise of a constitutional right. We turn now to the latter point.

III. THE TENTH CIRCUIT'S CRABBED CONSTRUCTION OF THE RIGHT TO PETITION THE COURTS IS WRONG.

The First Amendment right to petition protects a citizen's right of access to the government including the courts. See, *e.g.*, *California Motor Transp. Co.* v. *Trucking Unlimited*, 404 U.S. 508, 510 (1972); *Bill Johnson's Restaurants, Inc.*, 461 U.S. at 741. Allowing a rights-holder to be vulnerable to a tort suit for informing an alleged infringer of an intention to file an objectively reasonable lawsuit abridges that right. The Tenth Circuit's contrary decision is wrong.

The Tenth Circuit held that objectively reasonable cease-and-desist letters are not entitled to First Amendment protection because the "plain language" of the petition clause "protects only those petitions which are made to 'the Government.' " App. 13a. This holding ignores contrary decisions of this Court concerning the right to petition and other First Amendment rights. The sending of an objectively reasonable cease-and-desist letter should be protected whether it is characterized as petitioning activity or as activity within the "breathing space" provided to secure the protection of First Amendment rights.

First, this Court has made clear that an activity need not involve " 'direct' petitioning of government officials" to constitute petitioning activity. *Allied Tube & Conduit Corp.*, 486 U.S. at 499, 503. See *id.* at 503 ("the claim of *Noerr* immunity cannot be dismissed on the ground that the conduct at issue involved no 'direct' petitioning of government officials, for *Noerr* itself immunized a form of 'indirect' petitioning" — to wit, a "publicity campaign directed at the

general public," seeking "legislative and executive action"); *Brotherhood of R.R. Trainmen* v. *Virginia ex rel. Va. State Bar*, 377 U.S. 1 (1964) ("[t]he State can no more keep these workers from using their cooperative plan to advise one another than it could use more direct means to bar them from resorting to the courts to vindicate their legal rights. The right to petition the courts cannot be so handicapped"); *United Mine Workers of Am., Dist. 12* v. *Illinois Bar Ass'n*, 389 U.S. 217, 222 (1967) (invalidating state law forbidding union to pay attorney to represent its members, saying that "[t]he First Amendment would, however, be a hollow promise if it left government free to destroy or erode its guarantees by indirect restraints so long as no law is passed that prohibits free speech, press, petition, or assembly as such"). Just as the publicity campaign in *Noerr* was protected as indirect petitioning of the legislature, a cease-and-desist letter should be protected as an indirect invocation of the judicial process to resolve a dispute governed by law.

Second, this Court has held that the scope of the right to petition "varies with the context and nature of the activity." *Allied Tube & Conduit Corp.*, 486 U.S. at 499. Thus, the right to petition the *courts* has different contours than the right to petition the executive or the legislature. Moreover, in assessing the scope of the right to petition in a particular context, a relevant consideration is whether the conduct at issue is "conduct traditionally judged" by the law at issue or whether it is traditionally regulated in some other forum. *Id.* at 505.[10]

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[10] The court of appeals made at length the point that the petition clause does not provide *absolute* immunity for libelous statements made in a petition to the executive branch, citing *McDonald* v. *Smith*, 472 U.S. 479 (1985). Libelous statements in a petition are protected by the petition clause, but only if made without "malice," "defined as 'falsehood and the absence of probable cause,'" *id.* at 484 (quoting *White* v. *Nicholls*, 44 U.S. (3 How.) 266, 291 (1845)). From this case, the court of appeals properly infers that the petition clause also does not provide *absolute* immunity for

When the "context and nature of the activity" in question are considered, it seems plain that the activity at issue here should be considered petitioning. Although a cease-and-desist letter does not directly seek judicial action, it is an acknowledged first step or opening salvo in litigation because it is an invocation of the judicial process. It is a tool frequently and routinely used by litigators, especially litigators in the area of intellectual property rights, see *supra* at 18, to announce a party's belief that its rights are being violated and to bring the authority of judicial law enforcement to bear on the alleged offender in order to secure compliance with legal rules.[11] As the dissent from the Tenth Circuit's decision stated, the "significance and efficacy [of a cease-and-desist letter] are derived from the existence of laws creating and protecting intellectual property rights and the existence of courts to enforce those laws, not the brooding threat of force."

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libelous statements in petitions to the courts. This point is not in dispute. The *Noerr-Pennington* doctrine itself makes clear that the right to petition the courts is not absolute; it is limited to objectively reasonable petitions — that is, petitions made with probable cause. See *PREI*, 508 U.S. at 58.

McDonald and *PREI* are perfectly consistent; both recognize that the right to petition is not absolute. To be protected, petitions to the executive branch must be made with probable cause, and petitions to the courts must be objectively reasonable. Indeed, *McDonald* itself recognizes that the right to petition the courts is limited to objectively reasonable litigation. *See* 472 U.S. at 484 ("Nor do the Court's decisions interpreting the Petition Clause in contexts other than defamation indicate that the right to petition is absolute. For example, filing a complaint in court is a form of petitioning activity; but 'baseless litigation is not immunized by the First Amendment right to petition' ") (quoting *Bill Johnson's Restaurants, Inc.*, 461 U.S. at 743). *See also* App. 31a-32a (explaining that there is little "practical difference[]" between the standards for protected petitioning activity in *McDonald* and *PREI*).

[11] *Cf.* David A. Strauss, *The Ubiquity of Prophylactic Rules*, 55 U. Chi. L. Rev. 190, 208 (1988) ("it makes much more sense to read into the Constitution a general requirement that its various provisions be interpreted in light of institutional realities than to insist that those realities be ignored").

App. 24a. Such a letter uses the system of laws and courts to advocate on behalf of its author's legal rights. See *California Motor Transp.*, 404 U.S. at 511 (petitioning uses "the channels and procedures of state and federal . . . courts to advocate [a party's] causes and points of view respecting resolution of [its] business and economic interests *vis-à-vis* [its] competitors"). Finally, as was the case here, such letters are generally authored by lawyers whose professional conduct with respect to third parties is largely governed by the court's supervisory authority and by ethical rules promulgated by the profession. See, *e.g.*, Center for Professional Responsibility, American Bar Ass'n, *Annotated Model Rules of Professional Conduct* (3d ed. 1996). In light of all these considerations, petitioning should include "those acts reasonably and normally attendant upon effective litigation," such as an objectively reasonable cease-and-desist letter. *Coastal States Mktg.*, 694 F.2d at 1367.[12]

Third, the right of access to the courts is plainly chilled if rights-holders eschew objectively reasonable acts in furtherance of judicial enforcement of their rights out of fear of a retaliatory lawsuit. As this Court observed, in holding that an objectively reasonable lawsuit cannot be the subject of an antitrust claim:

> [We are] compel[led] to reject a purely subjective definition of "sham" [lawsuit.] The sham exception so

[12] The Speech and Debate Clause provides a useful analogy to the petition clause. It has not been confined to its plain language, but rather interpreted broadly to protect all acts which are "an integral part of the deliberative and communicative processes by which Members participate in committee and House proceedings with respect to the consideration and passage or rejection of proposed legislation or with respect to other matters which the Constitution places within the jurisdiction of either house." *Gravel* v. *United States*, 408 U.S. 606, 625 (1972). *Cf. Hutchison* v. *Proxmire*, 443 U.S. 111, 124 (1979) (a "[l]iteral reading of the [Speech and Debate] Clause would, of course, confine its protection narrowly to a 'Speech or Debate *in* either House.' But the Court has given the Clause a practical rather than a strictly literal reading . . . .").

> construed would undermine, if not vitiate, *Noerr*. [*PREI*, 508 U.S. at 60 (quoting *Allied Tube & Conduit Corp.*, 486 U.S. at 508 n.10).]

Cf. *id.* at 69 ("Access to the courts is far too precious a right for us to infer wrongdoing from nothing more than using the judicial process to seek a competitive advantage in a doubtful case") (Stevens, J., concurring). Plainly, this Court is protective of a rights-holder's objectively reasonable attempts to enforce legal rights through the judicial process. The Court has been unwilling to allow inquiry into the subjective purpose or intent for the initiation of such proceedings to prevent infringement of the constitutional right of access to the courts. That same skepticism should apply here where a rights-holder has done nothing more than invoke the law and the judicial process to an alleged infringer in an objectively reasonable attempt to enforce its rights.[13] The First Amendment right of access to the courts is chilled when objectively

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[13] The burdensome discovery that Cardtoons served on the Players Association demonstrates one way in which petitioning activity would be chilled if an objectively reasonable act could give rise to liability based solely on the rights-holder's subjective intent. Cardtoons demanded discovery of every instance in which the Players Association had sent a cease-and-desist letter to a suspected infringer since January 1, 1992, production of such letters and all litigation documents arising out of such letters; all license agreements between the Players Association and any licensee in connection with the manufacture and sale of any goods, products, and merchandise; all financial statements and general ledgers of the Association between 1993 and June 30, 1997; the amount of revenue received from each licensee and distributed by the Association; and the production of all documents concerning confidential communications between the Association and its attorneys concerning Cardtoons, including attorney time records. Players Association Appendix in No. 98-5061 at 393, 348, 359, 403, 356, 395-96, 356, 357, 358. Cardtoons argued that all of this was relevant to "the subjective intent and good faith of the MLBPA in sending the cease and desist letters." *Id.* at 378-79. Under *PREI*, subjective intent is irrelevant where the claim asserted is objectively reasonable, and this Court instructed that parties asserting objectively reasonable claims therefore should not face such burdensome and intrusive discovery in a retaliatory suit. 508 U.S. at 59-60.

reasonable conduct integrally related to litigation is subject to retaliatory suit.

Finally, extending petitioning immunity to cease-and-desist letters is also consistent with this Court's instruction that First Amendment rights (and other constitutional rights) are entitled to "breathing space" to ensure their full protection. For example, in *Gertz* v. *Robert Welch, Inc.*, 418 U.S. 323 (1974), the Court explained that, even though "there is no constitutional value in false statements of fact," it had nevertheless "extended a measure of strategic protection to defamatory falsehood" in cases involving public officials and public figures. *Id.* at 340, 342 (citing *New York Times Co.* v. *Sullivan*, 376 U.S. 254 (1964)). The Court concluded that "punishment of error [*i.e.*, all defamatory falsehood] runs the risk of inducing a cautious and restrictive exercise of the constitutionally guaranteed freedoms of speech and press" and therefore that "protect[ion of] some falsehood" was necessary "to avoid self-censorship by the news media." *Id.* at 340-41.[14]

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[14] *See also Freedman* v. *Maryland*, 380 U.S. 51, 58 (1965) (setting forth "procedural safeguards designed to obviate the dangers of a censorship system" with respect to motion picture obscenity); *Gooding* v. *Wilson*, 405 U.S. 518 (1972) (presuming violation of freedom of speech from statutes deterring speech). Indeed, outside the First Amendment context, this Court's constitutional jurisprudence establishes many prophylactic protections that sweep more broadly than the underlying right. *See, e.g.*, *Loretto* v. *Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 436-37 (1982) (to "avoid[] otherwise difficult line-drawing problems," a permanent physical occupation is deemed a per se taking); *Smith* v. *Robbins*, 120 S. Ct. 746, 757 (2000) (explaining that the procedure established in *Anders* v. *California*, 386 U.S. 738 (1967) "is not 'an independent constitutional command,' " but "a prophylactic framework . . . established to vindicate the constitutional right to appellate counsel"); *Michigan* v. *Harvey*, 494 U.S. 344, 349 (1990) (explaining that *Michigan* v. *Jackson*, 475 U.S. 625 (1986) establishes a prophylactic rule to ensure knowing and voluntary waivers of the Sixth Amendment right to counsel).

The First Amendment right of access to the courts will be chilled if parties and their attorneys fear that taking actions that are part and parcel of litigation will expose the party to tort liability, even though the actions are objectively reasonable and based on probable cause. If the Tenth Circuit's decision stands, any act that does not directly seek action from a court — such as a cease-and-desist letter — may provide a basis for a retaliatory tort suit. Parties will necessarily have to adopt the "cautious and restrictive exercise of the constitutionally guaranteed" right of access to the court that this Court has condemned in analogous contexts.

This Court struck the proper constitutional balance in *PREI*. Litigation is immunized so long as it is objectively reasonable and based on probable cause. This approach should apply equally to prelitigation threats, regardless of the theory on which the retaliatory claim is based. The Tenth Circuit's decision will increase the amount of litigation and chill the free exercise of an important First Amendment right.

In sum, the Players Association seeks protection for petitioning activity that is no less direct than the activities found to be petitioning in *Noerr*, *Virginia Bar Association*, and *Illinois Bar Association* and no less worthy of protection than the activities protected in these same cases and in *PREI*. The substantial tension between the decision below and this Court's decisions is another compelling reason for the Court to grant the petition.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 98-5061

CARDTOONS, L.C., AN OKLAHOMA LIMITED LIABILITY COMPANY,
Plaintiff-Appellant,

v.

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION, AN UNINCORPORATED ASSOCIATION,
Defendant-Appellee.

April 7, 2000

Before SEYMOUR Chief Judge, TACHA, BALDOCK, BRORBY, EBEL, KELLY, HENRY, BRISCOE, LUCERO, and MURPHY, Circuit Judges.

PAUL KELLY, Jr., Circuit Judge.

This case requires us to determime whether threats of litigation between purely private parties in a non-antitrust setting are immunized from liability under the *Noerr-Pennington* doctrine or under the right to petition clause of the First Amendment. Because purely private threats do not constitute a petition to the government, we hold that they are not constitutionally protected.

Background

The facts are undisputed. In 1992, Cardtoons, L.C. ("Cardtoons"), an Oklahoma limited liability company, took steps to produce parody baseball trading cards which

contained the images of major league baseball players. After the cards were designed, Cardtoons contracted with Champs Marketing, Inc. ("Champs"), an Ohio corporation, to print the cards for a set fee.

Major League Baseball Players Association ("MLBPA") is the exclusive collective bargaining agent for all active major league baseball players and is responsible for enforcing the publicity rights of the players. In a June 18, 1993 letter to Cardtoons ("Cardtoons letter"), the MLBPA claimed that by producing and selling the cards, Cardtoons was "violat[ing] the valuable property rights of MLBPA and the players." I R. at 8. The MLBPA threatened to "pursue its full legal remedies to enforce its rights" if Cardtoons did not immediately cease production of the cards. *Id.* at 9.

On the same date, the MLBPA also sent a similar cease and desist letter to Champs (the Champs letter). It is this letter that is the source of the present controversy. In pertinent part, it stated:

> We understand that you have and are in the process of printing color drawings of active Major League baseball players in baseball trading cards for individuals associated with Cardtoons. This is to notify you that we believe that the activities of those individuals violate the valuable property rights of publicity of the MLBPA and the players themselves. Further, we believe that by printing the baseball trading cards at the request of Cardtoons, you are participating in Cardtoons' illegal activities.
>
> Accordingly, we request that you *immediately* cease and desist the printing of baseball trading cards of active Major League baseball players at the request of Cardtoons or others who are not authorized to use the likeness of active Major League baseball players.

> If I do not hear from you immediately confirming that you will agree to this request, I will have no alternative but to take all necessary action to enforce the rights of the players and the MLBPA against infringement of their rights.

Id. at 10, 10A. Upon receiving the letter, Champs informed Cardtoons that it intended to stop printing the cards.

On June 22, 1993, Cardtoons filed suit in federal district court seeking a declaratory judgment that its cards did not violate MLBPA's publicity rights and also seeking damages based on alleged tortious interference with the Champs contract. MLBPA moved to dismiss for lack of subject matter jurisdiction and filed counter-claims seeking declaratory and injunctive relief, as well as damages for violation of its publicity rights. The court bifurcated the proceedings to first resolve Cardtoons' declaratory judgment request, finding that the damages issues were dependent upon the legality of the parody cards.

The district court initially adopted a magistrate judge's recommendations and ruled in favor of the MLBPA. *See Cardtoons, L.C. v. Major League Baseball Players Ass'n,* 838 F.Supp. 1501 (N.D.Okla.1993). However, following the Supreme Court's decision in *Campbell v. Acuff-Rose Music, Inc.,* 510 U.S. 569, 114 S.Ct. 1164, 127 L.Ed.2d 500 (1994), the district court concluded that the parody cards were protected under the First Amendment. Accordingly, the court vacated its initial decision and entered judgment in favor of Cardtoons. *See Cardtoons, L.C. v. Major League Baseball Players Ass'n,* 868 F.Supp. 1266 (N.D.Okla.1994) *("Cardtoons I").* This court affirmed on appeal, determining that the cards were "an important form of entertainment and social commentary that deserve First Amendment protection." *Cardtoons, L.C. v. Major League Baseball Players Ass'n,* 95 F.3d 959, 976 (10th Cir. 1996) *("Cardtoons II").*

Cardtoons returned to the district court to pursue its damages claims against the MLBPA. The court allowed Cardtoons to amend its complaint and assert new claims for prima facie tort, libel and negligence. All of Cardtoons' claims stemmed from the allegations contained in the Champs letter. The district court concluded that the MLBPA was immune from liability under the *Noerr-Pennington* doctrine and entered summary judgment for MLBPA on all of Cardtoons' claims. *Cardtoons, L.C. v. Major League Baseball Players Ass'n,* No. 93-C-576-E (N.D.Okla. Mar. 12, 1998) (*"Cardtoons III"*).

On appeal, a panel of this court upheld the grant of summary judgment. *Cardtoons, L.C. v. Major League Baseball Players Ass'n,* 182 F.3d 1132 (10th Cir. 1999) (*"Cardtoons IV"*). The panel majority determined that the *Noerr-Pennington* doctrine applies apart from its roots in antitrust. In determining whether immunity for writing the letters was appropriate, the panel majority focused on the two part test enunciated in *Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc.,* 508 U.S. 49, 60-61, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993) (*"PRE"*).

In critical part, the panel majority held that *Noerr-Pennington* immunity covered threats of litigation as well as the actual litigation itself. "We adopt the legal and policy rationales that have informed other circuits' extension of *Noerr-Pennington* immunity to prelitigation threats, and hold that whether or not they are consummated, such threats enjoy the same level of protection from liability as litigation itself." *Cardtoons IV,* 182 F.3d at 1137. The panel majority went on to hold that the MLBPA had probable cause to threaten the lawsuit against Champs, thus satisfying the *PRE* test. "Accordingly, the Champs letter enjoyed *Noerr-Pennington* immunity as a threat of litigation." *Cardtoons IV,* 182 F.3d at 1139.

In dissent, Judge Ebel questioned whether *Noerr-Pennington* immunity should be extended to cover purely private threats. Rather than apply the two-part *PRE* test designed for litigation, Judge Ebel espoused a three part test for threats of litigation. A party seeking *Noerr-Pennington* immunity must show that the threat was (1) made in good faith; (2) was objectively reasonable; and (3) was a "proximate prologue to actual or imminent litigation." *Cardtoons IV,* 182 F.3d at 1142 (Ebel, J., dissenting).

Cardtoons sought rehearing en banc, arguing that the panel majority misapplied the *Noerr-Pennington* doctrine, and the case should be governed solely by the First Amendment right to petition. In particular, it pointed to the decisions in *McDonald v. Smith*, 472 U.S. 479, 105 S.Ct. 2787, 86 L.Ed.2d 384 (1985) and *Martin v. City of Del City*, 179 F.3d 882 (10th Cir.1999) as contrary to the panel opinion. We granted rehearing en banc. For the reasons stated below, we reverse the panel and remand.

I. *Noerr-Pennington Immunity*

The *Noerr-Pennington* doctrine was first recognized in two antitrust cases: *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961) and *United Mine Workers v. Pennington*, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965). The present case does not involve antitrust claims, and therefore, we must first address the applicability of *Noerr-Pennington* outside the antitrust context.[1]

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[1] This Court was faced with the issue but did not decide it in *Quark, Inc. v. Harley*, Nos. 96-1046, 96-1048, 96-1061, 1998 WL 161035, at *7 (10th Cir. 1998) (unpublished order and judgment) ("Assuming, without deciding, that this circuit would extend the doctrine beyond the realm of antitrust litigation . . . .")

Noerr involved an extensive publicity campaign by the railroad industry aimed at changing state law to place various restrictions on trucking in the long-distance freight business. The trucking industry brought suit in antitrust, alleging violations of §§ 1 and 2 of the Sherman Act. The Court held that the railroads were immune from suit because "the Sherman Act does not apply to the activities of the railroads at least insofar as those activities comprised mere solicitation of governmental action with respect to the passage and enforcement of laws." *Noerr,* 365 U.S. at 138, 81 S.Ct. 523.[2]

This immunity was based upon two grounds. *See City of Lafayette v. Louisiana Power & Light Co.*, 435 U.S. 389, 399, 98 S.Ct. 1123, 55 L.Ed.2d 364 (1978) (noting the "two correlative principles" on which *Noerr* immunity was established); *see also California Motor Transport Co. v. Trucking Unlimited,* 404 U.S. 508, 510, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972). The first was a statutory interpretation of the Sherman Act.

> To hold that the government retains the power to act in [a] representative capacity and yet hold, at the same time, that the people cannot freely inform the government of their wishes would impute to the Sherman Act a purpose to regulate, not business activity, but political activity, a purpose which would have no basis whatever in the legislative history of that Act.

Noerr, 365 U.S. at 137, 81 S.Ct. 523. The second basis for immunity was predicated on the First Amendment right to petition.

> Secondly, and of at least equal significance, such a construction of the Sherman Act would raise important constitutional questions. The right of petition is one of

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[2] *Pennington* extended this immunity to the right to petition the executive and *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972), further extended the doctrine to cover petitioning the courts, the third branch of government.

> the freedoms protected by the Bill of Rights, and we cannot, of course, lightly impute to Congress an intent to invade these freedoms.

Id. at 137-38, 81 S.Ct. 523. The Court has referred to these two prongs as "[i]nterpreting the Sherman Act in the light of the First Amendment's Petition Clause." *Federal Trade Comm'n v. Superior Ct. Trail Law. Ass'n*, 493 U.S. 411, 424, 110 S.Ct. 768, 107 L.Ed.2d 851 (1990).

The logical dilemma in applying *Noerr-Pennington* outside of the antitrust context is that *Noerr's* first rationale for immunity—an interpretation of the Sherman Act—is not present. Supreme Court precedent gives us scant guidance in resolving this issue. All of the cases in which the Supreme Court has applied *Noerr-Pennington* immunity as such have involved antitrust claims. *See e.g. PRE*, 508 U.S. at 52, 113 S.Ct. 1920; *City of Columbia v. Omni Outdoor Advertising*, 499 U.S. 365, 369, 111 S.Ct. 1344, 113 L.Ed.2d 382 (1991); *Superior Ct. Trial Law. Ass'n*, 493 U.S. at 422, 110 S.Ct. 768; *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 497, 108 S.Ct. 1931, 100 L.Ed.2d 497 (1988); *Pennington*, 381 U.S. at 659, 85 S.Ct. 1585; *Noerr*, 365 U.S. at 129, 81 S.Ct. 523.

To the extent that Supreme Court precedent can be read to extend *Noerr-Pennington* outside of the antitrust context, it does so solely on the basis of the right to petition. *See Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 742-43, 103 S.Ct. 2161, 76 L.Ed.2d 277 (1983) (immunizing employer's law suit from NLRB injunction under the right to petition); *NAACP v. Claiborne Hardware*, 458 U.S 886, 913-14, 102 S.Ct. 3409, 73 L.Ed.2d 1215 (1982) (granting First Amendment immunity to a nonviolent business boycott seeking to vindicate economic and equal rights). *See also PRE*, 508 U.S. at 59, 113 S.Ct. 1920 (noting that the Court has "invok[ed *Noerr*] in other contexts" and has referenced it "by analogy"). *But see Omni Outdoor Advertising*, 499 U.S. at 384, 111 S.Ct. 1344 (granting *Noerr* immunity to federal

antitrust claims but permitting liability under state law "trade libel" and other claims based on the same underlying conduct).

The circuits have followed suit, eliminating the Sherman Act rationale outside of antitrust and focusing solely on the petition clause. For instance, the Third Circuit in *We, Inc. v. City of Philadelphia,* 174 F.3d 322, 326-27 (3d Cir.1999) stated: "This court, along with other courts, has by analogy extended the *Noerr-Pennington* doctrine to offer protection to citizens' petitioning activities in contexts outside the antitrust area as well. . . . [T]he purpose of *Noerr-Pennington* as applied in areas outside the antitrust field is the protection of the right to petition." The Fifth Circuit has noted that "[a]lthough the *Noerr-Pennington* doctrine initially arose in the antitrust field, other circuits have expanded it to protect first amendment petitioning of the government from claims brought under federal and state laws. . . ." *Video Int'l Production, Inc. v. Warner-Amex Cable Communications, Inc.,* 858 F.2d 1075, 1084 (5th Cir.1988).[3]

While we do not question the application of the right to petition outside of antitrust, it is a bit of a misnomer to refer to it as the *Noerr-Pennington* doctrine; a doctrine which was based on *two* rationales. In our view, it is more appropriate to refer to immunity as *Noerr-Pennington* immunity only when applied to antitrust claims.[4] In all other contexts, including

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[3] *See also* Aaron R. Gary, *First Amendment Petition Clause Immunity from Tort Suits: In Search of a Consistent Doctrinal Framework,* 33 Idaho L.Rev. 67, 95 (1996) ("Innumerable federal and state courts have concluded that the *Noerr-Pennington* doctrine is rooted in the First Amendment right to petition and therefore must be applied to all claims implicating that right, not just to antitrust claims.").

[4] *Bill Johnson's* is a good example of the need to distinguish between antitrust cases based upon the two prongs of *Noerr-Pennington* and non-antitrust cases based solely on the right to petition. The dissent characterizes *Bill Johnson's* as a direct application of *Noerr-Pennington.*

the present one, such immunity derives from the right to petition.

This distinction is not completely academic. Antitrust cases that grant *Noerr-Pennington* immunity do so based upon *both* the Sherman Act and the right to petition. These precedents, founded in part upon a construction of the Sherman Act, are not completely interchangeable with cases based solely upon the right to petition.

However, such a characterization would lead to a direct conflict between *Bill Johnson's* and *Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc., (PRE),* 508 U.S. 49, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993). *Noerr-Pennington* immunity, as defined in all of the *Noerr* antitrust line of cases, is immunity from *liability. PRE,* in the context of antitrust, held that a lawsuit is immune from liability unless it is a sham (i.e. objectively unreasonable or reasonable but brought in bad faith). *See* 508 U.S. at 60, 113 S.Ct. 1920. However, in *Bill Johnson's,* the Supreme Court specifically declared, in the context of an NLRA dispute, that an employer who brought a non-sham suit could still be held *liable,* even though the right to petition protected the suit from being *enjoined.* 461 U.S. at 748-49, 103 S.Ct. 2161.

The conflict is apparent. Under the *PRE* standard, a plaintiff is immune from liability based upon a simple showing of objective reasonableness. Under *Bill Johnson's,* objective reasonableness is not enough and a court must further determine whether the plaintiff violated the law in bringing the suit. The only way to reconcile these cases is to limit them to the contexts in which they arose. *PRE* is an antitrust case; *Bill Johnson's* is not.

This distinction is important for two reasons. First, it cautions against describing *Bill Johnson's* as an application of *Noerr-Pennington* immunity rather than Petition Clause immunity. Second, and more importantly, it demonstrates that *PRE* must be limited to the antitrust context. Outside of that context, the Petition Clause protects objectively reasonable lawsuits from being enjoined, but requires a court to look at the underlying statute to determine whether the initiator of the suit can be held liable. Therefore, given the non-antitrust context of this case, the dissent's reliance on *PRE* in Part II, C is inapposite.

The Fifth Circuit antitrust decision in *Coastal States Marketing, Inc. v. Hunt,* 694 F.2d 1358 (5th Cir.1983) is a classic example of the difficulties which can arise if this distinction is not made. MLBPA relies heavily upon this case for the proposition that *Noerr-Pennington* immunity extends to prelitigation threats of suit. In *Coastal States*, the plaintiff argued that defendants' threats to litigate could not be immunized under *Noerr*. "[B]ecause threats of litigation are not directed to a government, they do not fall within the rationale of petitioning immunity." *Coastal States*, 694 F.2d at 1367. The Fifth Circuit rejected this argument.

> Given that petitioning immunity protects joint litigation, it would be absurd to hold that it does not protect those acts reasonably and normally attendant upon effective litigation. The litigator should not be protected only when he strikes without warning. If litigation is in good faith, a token of that sincerity is a warning that it will be commenced and a possible effort to compromise the dispute.

Id.

If we were to refer to immunity based solely on the right to petition as *Noerr-Pennington* immunity, it would be very tempting to apply *Coastal States* in the present case. To do so, however, would be inappropriate. First, *Coastal States* rejected the right to petition as a basis for *Noerr*. "*Noerr* was based on a construction of the Sherman Act. It was not a first amendment decision." *Coastal States,* 694 F.2d at 1364-65 (footnote omitted). Second, and even more instructive, the Fifth Circuit specifically noted that its use of the term "petitioning immunity" went *beyond* the guarantees of the petition clause. "We reject the notion that petitioning immunity extends only so far as the first amendment right to petition and then ends abruptly." *Id.* at 1366.

Coastal States' grant of immunity to prelitigation threats was not based on the right to petition and, therefore, does not inform our decision in the present non-antitrust case.[5] This is not to intimate that right to petition principles can never be drawn from *Noerr-Pennington* antitrust cases. Rather, it is merely a precautionary distinction designed to avoid drawing constitutional principles from propositions founded upon statutory construction.

II. *Right to Petition*

We must now determine whether prelitigation threats communicated solely between private parties are afforded immunity from suit by the right to petition guaranteed by the First Amendment. We hold that they are not.

The First Amendment states: "Congress shall make no law respecting . . . the right of the people . . . to petition the Government for a redress of grievances." The right to petition "is implicit in '[t]he very idea of government, republican in form.' " *McDonald v. Smith,* 472 U.S. 479, 482, 105 S.Ct. 2787, 86 L.Ed.2d 384 (1985) (quoting *United States v. Cruikshank,* 92 U.S. 542, 552, 23 L.Ed. 588 (1876)). "Certainly the right to petition extends to all departments of the Government. The right of access to the courts is indeed but one aspect of the right of petition." *California Motor,* 404 U.S. at 510, 92 S.Ct. 609; *see also City of Del City,* 179 F.3d at 887.

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[5] The same is true of *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552 (11th Cir. 1992), an antitrust case which relied upon *Coastal States* in granting immunity to threats of litigation. Although the Eleventh Circuit mentioned the right to petition as one basis for *Noerr-Pennington* immunity, it specifically protected the threats of litigation under an interpretation of the Sherman Act. *See McGuire Oil,* 958 F.2d at 1560 (holding that "threats, no less than the actual initiation of litigation, do not violate the Sherman Act").

However, the right to petition is not an absolute protection from liability. In *McDonald,* petitioner wrote a letter to President Reagan accusing respondent of fraud, blackmail, extortion, and the violation of various individuals' civil rights. Respondent was being considered for the position of United States Attorney but was not appointed. He brought a libel suit against petitioner, who claimed that the right to petition gave him absolute immunity in his statements to the president. The Supreme Court disagreed.

> To accept petitioner's claim of absolute immunity would elevate the Petition Clause to special First Amendment status. The Petition Clause, however, was inspired by the same ideals of liberty and democracy that gave us the freedoms to speak, publish, and assemble. These First Amendment rights are inseparable, and there is no sound basis for granting greater constitutional protection to statements made in a petition to the President than other First Amendment expressions.

McDonald, 472 U.S. at 485, 105 S.Ct. 2787 (citations omitted). The Court affirmed the lower courts in allowing the libel action to proceed. "The right to petition is guaranteed; the right to commit libel with impunity is not." *Id. See also City of Del City,* 179 F.3d at 889 (holding that right to petition is not absolute, and in state employment context, employee must demonstrate that petition for which he was fired involved matter of public concern).

If MLBPA were being sued for libelous statements made in a litigation document filed with the court, *McDonald* would clearly allow the libel suit to continue as a matter of constitutional law. *Compare* Restatement (Second) of Torts § 587 (1977) ("A party to a private litigation . . . is absolutely privileged to publish defamatory matter concerning another in communications preliminary to a proposed judicial proceeding, or in the institution of or during the course and as a part of, a judicial proceeding in which he participates, if the

matter has some relation to the proceeding."). Likewise, statements made in a letter threatening litigation are not absolutely protected by the petition clause of the First Amendment and are subject to the principles of state common law and state statutory law.

However, even in the context of Cardtoons non-libel claims, it is clear that the right to petition simply does not grant MLBPA immunity from suit. The plain language of the First Amendment protects only those petitions which are made to "the Government."[6] As Judge Ebel noted in his dissent to the panel opinion:

> The MLBPA's cease-and-desist letter to Champs threatening suit was never sent to the government; did not ask the government for any response or "redress of grievances"; was not even known to the government prior to Cardtoons' declaratory judgment action against the MLBPA; and did not ever result in any litigation.

Cardtoons IV, 182 F.3d at 1141. A letter from one private party to another private party simply does not implicate the right to petition, regardless of what the letter threatens. Even the antitrust text cited by the panel majority notes that "a mere threat directed at one's competitor to sue or to seek administrative relief does not involve or 'petition' the government. . . ." Philip E. Areeda & Herbert Hovenkamp, *Antitrust Law*, § 205e at 237. *See also Rodime PLC v. Seagate Technology Inc.*, 174 F.3d 1294, 1307 (Fed.Cir.1999) (noting that meetings at which defendant persuaded potential licensees to end license negotiations with the plaintiff "had nothing to do with petitioning the government.").

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[6] The dissent does not address this plain language, but instead relies upon the concept of "breathing space," the interest of private parties in vindicating their legal rights, and public policy arguments in arguing that such private threats should be constitutionally protected.

MLBPA asserts that the decisions of other circuits are to the contrary. *See Glass Equip. Dev., Inc. v. Besten, Inc.*, 174 F.3d 1337 (Fed.Cir.1999); *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552 (11th Cir.1992); *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842 (1st Cir.1985); *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358 (5th Cir.1983). These cases are distinguishable. First, *CVD* merely held that "the threat of unfounded trade secrets litigation in bad faith is sufficient to constitute a cause of action under the antitrust laws, provided that the other essential elements of a violation are proven." 769 F.2d at 851. We do not agree with MLBPA that the First Circuit thereby implied that good faith threats are immunized by *Noerr-Pennington*.

Second, and most importantly, all four cases arise in the antitrust context. As discussed earlier, both *Coastal States* and *McGuire Oil* grant immunity to prelitigation threats under a construction of the Sherman Act, not the right to petition. Neither *Glass Equip. Dev.* nor *CVD* even mention the right to petition. Although *Glass Equip. Dev.* does appear to treat both "actual or threatened infringement suits" the same for purposes of *Noerr-Pennington* immunity, 174 F.3d at 1344, we reject it, as well as the other three cases, to the extent they imply that the mere threat of suit between private parties constitutes a petition to the government.

The Supreme Court's decision in *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 108 S.Ct. 1931, 100 L.Ed.2d 497 (1988) also lends support to our conclusion.[7] That case involved the National Fire Protection Association (NFPA), a private, voluntary organization which publishes the National Electrical Code. "Revised every three years, the

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[7] We acknowledge that *Allied Tube* is an antitrust case applying *Noerr-Pennington* and are therefore careful to distinguish between propositions grounded solely on the Sherman Act and those also grounded in the right to petition.

Code is the most influential electrical code in the nation. A substantial number of state and local governments routinely adopt the Code into law with little or no change." 486 U.S. at 495, 108 S.Ct. 1931. Changes in the Code could be approved by a simple majority vote of the members present at the NFPA's annual meeting. Respondent proposed amending the Code to include polyvinyl chloride conduit as an approved type of electrical conduit. Petitioner, the Nation's largest producer of steel conduit, feared that such approval would harm its business. It recruited over 150 people to attend the NFPA meeting and vote against the new proposal. Polyvinyl chloride conduit was rejected by a mere four votes, and respondent brought suit alleging violation of the Sherman Act.

Petitioner argued that it was immune from suit under *Noerr-Pennington*. The Court disagreed. "In this case, the restraint of trade on which liability was predicated was the Association's exclusion of respondent's product from the Code, and no damages were imposed for the incorporation of that Code by any government." *Allied Tube*, 486 U.S. at 500, 108 S.Ct. 1931.

> Here petitioner's actions took place within the context of the standard-setting process of a private association. Having concluded that the Association is not a "quasi-legislative" body, we reject petitioner's argument that any efforts to influence the Association must be treated as efforts to influence a "quasi-legislature" and given the same wide berth accorded legislative lobbying.

Id. at 504, 108 S.Ct. 1931. The Court specifically noted that communications with a private organization "did not take place in the open political arena, where partisanship is the hallmark of decision-making." *Id.* at 506, 108 S.Ct. 1931. Without a petition to the government, "[t]he issue of immunity in this case thus collapses into the issue of antitrust liability." *Id.* at 509, 108 S.Ct. 1931.

The present case is similar in many respects. MLBPA communicated with Champs in order to further its own business interests. Its efforts were successful when Champs refused to print the parody cards. Cardtoons brought suit alleging various violations of the law based upon MLBPA's action. MLBPA raised *Noerr-Pennington* as a defense. We hold, to paraphrase *Allied Tube*, that because there was no petition of the government in the present case, the issue of immunity collapses into the issue of state law liability.[8]

While there are many persuasive policy arguments in favor of granting immunity to private threats of litigation, these do not override the clear language of the First Amendment. Such arguments are best addressed to the state legislative bodies which can craft state law accordingly. *See e.g. Gary, supra* note 3, at 73-77 (noting that state common law typically shields certain litigation activity from defamation and tortious interference suits).

In summary, we hold that when the basis for immunity is the right to petition, purely private threats of litigation are not protected because there is no petition addressed to the government.

REVERSED and REMANDED.

LUCERO, Circuit Judge, with whom BRORBY and BRISCOE, Circuit Judges, join, dissenting.

I cannot agree with the majority's proposition that the First Amendment protects an owner of intellectual property rights

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[8] We also note in passing that an almost identical claim to that raised in this case was presented in *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 695, 82 S.Ct. 1404, 8 L.Ed.2d 777 (1962) (plaintiffs claimed that "[d]efendants in 1943, by open threats of reprisals, allegedly frustrated certain arrangements which Continental had with the Climax Molybdenum Corporation for the manufacture of ferro-vanadium."). *Noerr* immunity was discussed by the Court but was not mentioned in regard to this claim.

who blindsides an adversary with a lawsuit claiming infringement of those rights, but fails to shield that same owner when a more civilized notice and demand letter is sent in advance. Put another way, there is no sound basis for the conclusion that a complaint will be afforded immunity while a "cease-and-desist" letter will not, when both documents contain identical allegations. The majority's ruling encourages, nay demands, more litigation; it requires intellectual property owners to bypass the post office on the way to the court house and avoid the letter carrier in a rush to get to the process server.

Today's decision ignores the reality of intellectual property law, in which the enforcement of legal rights, and thus the invocation of the litigation process, is customarily commenced by a cease-and-desist letter. Consequently, the practical result of the majority's holding will be to force parties seeking to prevent the wrongful infringement of their intellectual property rights to ambush infringers with lawsuits or risk having to defend against retaliatory tort claims. *Noerr-Pennington*, as that body of jurisprudence has come to be known, has been applied to immunize from state tort claims objectively reasonable petitioning activity invoking the courts. In furtherance of the First Amendment interest in the vindication of legal rights and the constitutional requirement that the right to petition be given the breathing space necessary to survive, the same immunity should be afforded to objectively reasonable allegations of infringement and threats of litigation contained in cease-and-desist letters.

I.

The First Amendment guarantees "the right of the people . . . to petition the Government for a redress of grievances," U.S. Const. amend. I. Although the Supreme Court has declared the right to petition to be "among the most precious of the liberties safeguarded by the Bill of Rights," *United Mine Workers v. Illinois State Bar Ass'n*, 389 U.S. 217, 222,

88 S.Ct. 353, 19 L.Ed.2d 426 (1967), the Court has provided only limited guidance as to the nature and scope of the protection the right affords.

A.

The Supreme Court has provided some guidance as to the application of the right to petition in cases developing the *Noerr-Pennington* doctrine. As originally articulated by the Supreme Court, the *Noerr-Pennington* doctrine provides general immunity from antitrust liability under the Sherman Act to private parties who petition the government for redress of grievances, notwithstanding the anticompetitive purpose or consequences of their petitions. *See Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 135-38, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961) (establishing immunity for petitions to a state legislature); *see also United Mine Workers v. Pennington*, 381 U.S. 657, 670, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965) (extending *Noerr* immunity to petitions to public officials). The Court emphasized in *Noerr* that "[t]he right of petition is one of the freedoms protected by the Bill of Rights, and we cannot . . . lightly impute to Congress an intent to invade these freedoms." *Noerr*, 365 U.S. at 137-38, 81 S.Ct. 523.

In *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972), the Court extended immunity to "the approach of citizens or groups of them to . . . courts." *Id.* at 510, 92 S.Ct. 609 (holding, in addition, that "[t]he right of access to the courts is indeed but one aspect of the right of petition") (citing *Johnson v. Avery*, 393 U.S. 483, 485, 89 S.Ct. 747, 21 L.Ed.2d 718 (1969); *Ex parte Hull*, 312 U.S. 546, 549, 61 S.Ct. 640, 85 L.Ed. 1034 (1941)). In reaching this conclusion, the Court relied primarily on the constitutional underpinnings of the doctrine:

> We conclude that it would be destructive of rights of association and of petition to hold that groups with common interests may not, without violating the antitrust laws, use the channels and procedures of state and federal agencies and courts to advocate their causes and points of view respecting resolution of their business and economic interests vis-a-vis their competitors.

Id. at 510-11, 92 S.Ct. 609; *see also City of Lafayette v. Louisiana Power & Light Co.*, 435 U.S. 389, 399 n. 17, 98 S.Ct. 1123, 55 L.Ed.2d 364 (1978) (noting that "[c]ases subsequent to *Pennington* have emphasized the possible constitutional infirmity in the antitrust laws that a contrary construction would entail in light of the serious threat to First Amendment freedoms that would have been presented") (citations omitted). When applying the *Noerr-Pennington* doctrine in the antitrust context, this Circuit has placed similar emphasis on the First Amendment rights the doctrine is designed to protect. *See, e.g., Zimomra v. Alamo Rent-A-Car, Inc.*, 111 F.3d 1495, 1503 (10th Cir.1997); *Instructional Sys. Dev. Corp. v. Aetna Cas. & Sur. Co.*, 817 F.2d 639, 650 (10th Cir. 1987).[9]

Because of its foundation in the First Amendment right to petition, the Supreme Court has applied the *Noerr-Pennington* doctrine, by analogy, outside of its aborigine roots in antitrust law. In *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 889-91, 102 S.Ct. 3409, 73 L.Ed.2d 1215 (1982), for example, merchants brought claims of common law malicious interference with business and violations of

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[9] I therefore reject the Fifth Circuit's assertion that *Noerr* "was not a first amendment decision." *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1364-65 (5th Cir. 1983). Indeed, the Fifth Circuit itself has taken inconsistent positions. *See Video Int'l Prod., Inc. v. Warner-Amex Cable Communications, Inc.*, 858 F.2d 1075, 1083 (5th Cir.1988) (holding that the purpose of the *Noerr-Pennington* doctrine is to protect the First Amendment right to petition the government).

state statutory labor and antitrust laws against participants in a civil rights boycott. Comparing by analogy those common law and statutory claims to the economic regulation at issue in *Noerr,* the Court concluded that nonviolent boycotting activities were entitled to similar First Amendment protections because "a major purpose of the boycott . . . was to influence governmental action," and, unlike the petitioning activity in *Noerr,* the purpose was to vindicate important Fourteenth Amendment rights. *See id.* at 914-15, 102 S.Ct. 3409. The following year, the Court again applied the *Noerr-Pennington* doctrine outside of the antitrust context. In *Bill Johnson's Restaurants, Inc. v. NLRB,* 461 U.S. 731, 734, 103 S.Ct. 2161, 76 L.Ed.2d 277 (1983), a restauranteur filed a civil suit seeking to enjoin employees from picketing his restaurant. The employees responded by filing a complaint with the National Labor Relations Board alleging the civil suit was a retaliatory action in violation of the National Labor Relations Act ("NLRA"), 29 U.S.C. § 158(a)(1) & (4). *See id.* at 734-35, 103 S.Ct. 2161. The question before the Supreme Court was whether, under the NLRA, the Board could enjoin the civil suit against the employees. *See id.* at 740-43, 103 S.Ct. 2161. Based on the right to petition recognized in *California Motor Transport,* as well as a line of cases holding that the NLRA does not preempt state civil remedies for conduct deeply rooted in local concerns, the Court held that the Board could not enjoin a well-founded lawsuit. *See id.*

In light of *Claiborne Hardware* and *Bill Johnson's Restaurants,* there can be little doubt that *Noerr-Pennington* immunity, as amplified by *California Motor Transport,* is mandated by the First Amendment right to petition, irrespective of any independent statutory basis it might also have, and "*Noerr-Pennington* immunity" has evolved into an umbrella term for First Amendment petitioning immunity. *Cf. First Nat'l Bank of Boston v. Bellotti,* 435 U.S. 765, 792 n. 31, 98 S.Ct. 1407, 55 L.Ed.2d 707 (1978) (citing *California Motor Transport* and *Noerr* for the proposition that "the First

Amendment protects the right of corporations to petition legislative and administrative bodies"); *NAACP v. Button*, 371 U.S. 415, 430-31, 83 S.Ct. 328, 9 L.Ed.2d 405 (1963) (citing *Noerr*'s First Amendment protection of the railroads' governmental solicitations to support the proposition that the First Amendment also protects associating for litigation purposes).[10] Consistent with the Supreme Court's constitutional characterization of the doctrine, numerous other courts have applied *Noerr-Pennington* immunity, either directly or by analogy, to shield defendants from state tort claims. *See, e.g., Cheminor Drugs, Ltd. v. Ethyl Corp.*, 168 F.3d 119, 128-29 (3d Cir.1999); *Video Int'l Prod., Inc. v. Warner-Amex Cable Communications, Inc.*, 858 F.2d 1075, 1082-84 (5th Cir.1988); *Havoco of Am., Ltd. v. Hollobow*, 702 F.2d 643, 649-50 (7th Cir.1983); *Missouri v. National Org. of Women*, 620 F.2d 1301, 1319 (8th Cir.1980); *Pennwalt Corp. v. Zenith Lab., Inc.*, 472 F.Supp. 413, 423-24 (E.D.Mich.1979), *appeal dismissed*, 615 F.2d 1362 (6th Cir.1980); *Sierra Club v. Butz*, 349 F.Supp. 934, 937-39

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[10] Nor is the application of petitioning immunity limited to associational or political activity. The Court has long held that "[t]he grievances for redress of which the right of petition was insured, and with it the right of assembly, are not solely religious or political ones." *Thomas v. Collins*, 323 U.S. 516, 531 65 S.Ct. 315, 89 L.Ed. 430 (1945); *see also Illinois State Bar Ass'n*, 389 U.S. at 223, 88 S.Ct. 353 (rejecting the contention that "the principles announced in *Button* were applicable only to litigation for political purposes") (citing *Brotherhood of R.R. Trainmen v. Virginia*, 377 U.S. 1, 8, 84 S.Ct. 1113, 12 L.Ed.2d 89 (1964)). For example, in *Bill Johnson's Restaurants*, 461 U.S. at 743, 103 S.Ct. 2161, the Court afforded immunity to an individual litigant seeking to vindicate private economic interests. Although in *Martin v. City of Del City*, 179 F.3d 882, 886 (10th Cir.1999), we held that a government employee alleging he was terminated in retaliation for petitioning for the redress of grievances must show that the petition touches on matters of public concern, *Martin*'s public concern requirement is inapplicable here because it was developed in light of the government's substantial interest in maintaining an efficient workplace.

(N.D.Cal.1972); *Pacific Gas & Elec. Co. v. Bear Stearns & Co.*, 50 Cal.3d 1118, 270 Cal.Rptr. 1, 791 P.2d 587, 595-98 (1990); *Protect Our Mountain Env't, Inc. v. District Court*, 677 P.2d 1361, 1364-69 (Colo. 1984) (en banc).

I agree with the Fifth Circuit that "[t]here is simply no reason that a common-law tort doctrine can any more permissibly abridge or chill the constitutional right of petition than can a statutory claim such as antitrust." *Video Int'l Prod.*, 858 F.2d at 1084. Therefore, I would conclude that the MLBPA is shielded from Cardtoons's state tort claims insofar as those claims arise from its protected petitioning activity.[11] This conclusion requires the resolution of two further questions: Does the Champs letter constitute petitioning activity within the scope of the First Amendment; and if so, to what extent does the Petition Clause protect MLBPA from state tort claims premised on the Champs letter?

B

The First Amendment refers to "petitions to the government." The paradigmatic petition to the courts is a complaint. *Cf. McDonald v. Smith*, 472 U.S. 479, 484, 105 S.Ct. 2787, 86 L.Ed.2d 384 ("[F]iling a complaint in court is a form of petitioning activity."). At issue in this case, however, is a cease-and-desist letter between private parties alleging infringement of intellectual property rights and threatening a lawsuit. Based on the interests served by the Petition Clause and the requirement that First Amendment

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[11] To the extent *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 471-72 (7th Cir. 1982), holds to the contrary, I would reject the holding of that case. We also note that another panel of that circuit overlooked or ignored the *Grip-Pak* decision in reaching a result consistent with our own. *See Havoco of Am., Ltd.*, 702 F.2d at 649-50.

rights be given "breathing space," the concept of petitioning activity must embrace such a cease-and-desist letter.

The Supreme Court has not considered this precise issue, but has suggested that the application of immunity to activities, such as threats of litigation, incidental to the normal processes of litigation would be consistent with its holdings. *See Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 503, 108 S.Ct. 1931, 100 L.Ed.2d 497 (1988)(holding a "claim of *Noerr* immunity cannot be dismissed on the ground that the conduct at issue involved no 'direct' petitioning of government officials, for *Noerr* itself immunized a form of 'indirect' petitioning") (citation omitted); *cf. Continental Ore v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 707, 82 S.Ct. 1404, 8 L.Ed.2d 777 (1962) (distinguishing *Noerr* because the defendant in the case at bar was "engaged in private commercial activity, no element of which involved seeking to procure the . . . enforcement of laws"). More significantly, "[t]he first amendment interests involved in private litigation" as articulated in *Bill Johnson's Restaurants*, 461 U.S. at 743, support a concept of petitioning activity that includes actions incidental to litigation. These interests include "compensation for violated rights and interests, the psychological benefits of vindication, [and] public airing of disputed facts." *Id.* So conceived, the right to petition the courts serves, in the context of private litigation, the purpose of vindicating legal rights. Put another way, conduct inducing administrative and judicial action "is protected by the firmly rooted principle, endemic to a democratic government, that enactment of and adherence to the law is the responsibility of all." *Brownsville Golden Age Nursing Home, Inc. v. Wells*, 839 F.2d 155, 160 (3d Cir.1988) (applying petitioning immunity to the defendant's notification to government agencies and mobilization of public awareness concerning violations of the law at a nursing home).

Cease-and-desist letters threatening recourse to the judicial process if the alleged infringement of intellectual property rights continues, no less than complaints seeking redress for such an infringement, promote the interests served by the right to petition the courts: They vindicate legal rights and promote adherence to important laws of commerce. Cease-and-desist letters are frequently used by businesses and individuals to protect and vindicate their intellectual property rights. *See generally* Ronald B. Coolley, *Notifications of Infringement and Their Consequences,* 77 J. Pat. & Trademark Off. Soc'y 246, 246 (1995) (describing notification to suspected intellectual property infringers as a "common reaction" of rights holders). While the immediate purpose of cease-and-desist letters may not be compensation or psychological benefit, *cf. Bill Johnson's Restaurants,* 461 U.S. at 743, 103 S.Ct. 2161, they nonetheless seek vindication and financial gain through the protection of significant economic interests. They do so by demanding adherence to the law, a demand every citizen has the right to assert. *Cf. Brownsville,* 839 F.2d at 160. And although this demand is made directly, rather than via a governmental mechanism, its significance and efficacy are derived from the existence of laws creating and protecting intellectual property rights and the existence of courts to enforce those laws, not the brooding threat of force. Nothing could better demonstrate this point than the fact that the notice of wrongdoing provided by the Champs letter is a condition precedent to MLBPA bringing a colorable claim against Champs for contributory infringement of publicity rights. *See, e.g., Misut v. Mooney,* 124 Misc.2d 95, 475 N.Y.S.2d 233, 236 (N.Y.Sup.Ct.1984); *Maynard v. Port Publications, Inc.,* 98 Wis.2d 555, 297 N.W.2d 500, 507 (1980). In sum, the Champs letter constitutes a use of "the channels and procedures of state and federal . . . courts to advocate [the author's] causes and points of view respecting resolution of [its] business and economic interests vis-a-vis [its]

competitors." *California Motor Transport,* 404 U.S. at 511, 92 S.Ct. 609.

Applying petitioning immunity to widely-used methods of enforcing legal rights that precede any direct communication with the courts is also compelled by the Supreme Court's pronouncement that First Amendment rights require "breathing space" to survive. *See New York Times Co. v. Sullivan,* 376 U.S. 254, 272, 84 S.Ct. 710, 11 L.Ed.2d 686 (1964); *Button,* 371 U.S. at 433, 83 S.Ct. 328. That principle was applied, although not by name, in *Brotherhood of R.R. Trainmen v. Virginia State Bar,* 377 U.S. 1, 84 S.Ct. 1113, 12 L.Ed.2d 89 (1964). Rejecting the Bar Association's effort to enjoin a union from advising members to obtain legal counsel before settling injury claims and referring them to selected attorneys, the Court held that "[t]he State can no more keep these workers from using their cooperative plan to advise one another than it could use more direct means to bar them from resorting to the courts to vindicate their legal rights. The right to petition the courts cannot be so handicapped." *Id.* at 7, 84 S.Ct. 1113; *see also United Trans. Union v. State Bar of Michigan,* 401 U.S. 576, 585-86, 91 S.Ct. 1076, 28 L.Ed.2d 339 (1971); *Feminist Women's Health Ctr., Inc. v. Mohammad,* 586 F.2d 530, 543 (5th Cir.1978). The application of the concept of "breathing space" to the right to petition the courts is not limited to situations in which actions incidental to litigation implicate associational rights. *See Pacific Gas & Elec.,* 270 Cal.Rptr. 1, 791 P.2d at 595-98 (applying the concept of "breathing space" without reference to associational rights in reaching the conclusion that the Petition Clause prohibits premising tort liability on the defendant's conduct inducing another to bring a meritorious lawsuit); *cf. South Dakota v. Kansas City Southern Indus., Inc.,* 880 F.2d 40, 53 (8th Cir.1989) (holding, without reference to assocional rights, that the defendant's assumed assistance to litigants in the underlying suit "did not, as a

matter of law, constitute 'sham' petitioning and was fully protected by the first amendment").

Like the incidental litigation activity in the cases just cited, cease-and-desist letters notifying the recipient of the infringement of intellectual property rights and threatening legal action, "must also be protected if the right of access to the courts is to have significance." *The Consortium, Inc. v. Knoxville Int'l Energy Exposition,* 563 F.Supp. 56, 59 (E.D.Tenn.1983) (citing *Pennwalt Corp.,* 472 F.Supp. at 413). As discussed, such letters are often the first formal step in the process of enforcing the law of intellectual property and vindicating economic interests. Frequently this step is quickly followed by the filing of a complaint with a court, be it by the rights holder for damages and injunctive relief or the recipient for declaratory judgment. *See* Coolley at 246. That is precisely what occurred in this case. Upon receiving the Cardtoons letter and notice of the Champs letter, Cardtoons preempted the threatened litigation by filing an action for declaratory relief, and MLBPA responded with counterclaims. By permitting liability under state common law for allegations and threats contained in cease-and-desist letters, while prohibiting liability for identical allegations made in a complaint filed with a court, the majority ignores the central role cease-and-desist letters play in the enforcement of intellectual property rights. The resulting bright-line rule chills the right to petition the courts by handicapping activity immediately precedent to, and intimately associated with, recourse to the judicial process.[12] It is just such a result that

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[12] This immediate association with the judicial process distinguishes the Champs letter from the activity at issue in *Allied Tube and Conduit Corp.,* 486 U.S. at 492, 108 S.Ct. 1931. The Court in *Allied* held that efforts to influence the standard-setting process of a private trade association did not enjoy *Noerr* immunity. *See id.* at 509-10, 108 S.Ct. 1931. However, it "expressly limited [its holding] to cases where an economically interested party exercises decisionmaking authority in formulating a product standard for a private association that comprises

the concept of "breathing space," born of the practical reality of the environment in which First Amendment rights are exercised, is meant to prevent.

In addition to sustaining the vitality of the fundamental right to petition and furthering the interests that right is intended to serve, the acknowledgment that Petition Clause immunity applies to cease-and-desist letters such as the one before us is consistent with sound public policy. As commentators have observed, this acknowledgment facilitates efforts to resolve disputes before resort is had to litigation. *See* Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* § 205e at 237 (rev. ed.1997) (arguing that withholding immunity from prelitigation communication would curb practices that "provide useful notice and facilitate the resolution of controversies"); Herbert Hovenkamp, *Federal Antitrust Policy* § 18.3d at 644 (1994) (immunizing prelitigation threats is vital to "[o]ur entire dispute resolution process[, which] is designed to encourage people to resolve their differences if possible before litigating").

Applying petitioning immunity to a cease-and-desist letter is not novel. Within the antitrust context, numerous courts have applied *Noerr-Pennington* immunity to claims arising from cease-and-desist letters, threats of litigation, and other prelitigation enforcement efforts. *See, e.g., Glass Equip. Dev.,*

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market participants," *id.* at 511 n. 13, 108 S.Ct. 1931 (citation and internal quotations omitted), indicating that this holding would *not* encompass, and therefore not preclude from immunity, efforts to influence "all private standard-setting associations." *Id.* With such repeated and explicit limitations, it is clear the Court did not foreclose the application of immunity to all indirect petitioning activities, such as to non-governmental associations as in *Allied,* or, as here, to cease-and-desist letters. On the contrary, as discussed, the Court emphasized a "claim of *Noerr* immunity cannot be dismissed on the ground that the conduct at issue involved no 'direct' petitioning of government officials, for *Noerr* itself immunized a form of 'indirect' petitioning." *Id.* at 503, 108 S.Ct. 1931 (citation omitted).

Inc. v. Besten, Inc., 174 F.3d, 1337, 1343-44 (Fed.Cir.1999); *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842, 850-51 (1st. Cir.1985); *Miller Pipeline. Corp. v. British Gas PLC*, 69 F.Supp.2d 1129, 1138 (S.D.Ind.1999); *PrimeTime 24 Joint Venture v. National Broad. Co., Inc.*, 21 F.Supp.2d 350, 356 (S.D.N.Y.1998); *The Consortium*, 563 F.Supp. at 59; *Outboard Marine Corp. v. Pezetel* 474 F.Supp. 168, 174 (D.Del.1979); *cf. Alexander v. National Farmers Org.*, 687 F.2d 1173, 1200 (8th Cir.1982) (noting that there may be situations in which threats of litigation against a competitor's customers would be protected under *Noerr-Pennington).* Likewise, outside of the antitrust context, federal district courts have afforded immunity from state common law claims based on similar pre-litigation efforts to enforce legal rights. *See, e.g., Matsushita Elec. Corp. v. Loral Corp.*, 974 F.Supp. 345, 359 (S.D.N.Y.1997); *Aircapital Cablevision, Inc. v. Starlink Communications Group, Inc.*, 634 F.Supp. 316, 325 (D.Kan.1986); *Pennwalt Corp.*, 472 F.Supp. at 424.

In order to provide breathing space to the First Amendment right to petition the courts, further the interests that right was designed to serve, and promote the public interest in efficient dispute resolution, I would follow other federal courts and accord cease-and-desist letters alleging infringement of intellectual property rights and threatening legal recourse the same level of immunity from tort liability as a complaint making the same allegations.

C

That immunity is not, of course, absolute. In determining the proper scope of petition clause immunity for activities invoking the judicial process, the *Noerr-Pennington* doctrine once again provides the starting point. While broad and extensive, *Noerr-Penningon* immunity is not a shield for a petitioner whose conduct, although "ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to

interfere directly with the business relationships of a competitor." *Noerr,* 365 U.S. at 144, 81 S.Ct. 523. The Supreme Court has established a two-part definition of sham litigation:

> First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under *Noerr,* and an antitrust claim premised on the sham exception must fail. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals "an attempt to interfere directly with the business relationships of a competitor," *Noerr,* 365 U.S. at 144, 81 S.Ct. 523, through the "use [of] the governmental process—as opposed to the outcome of that process—as an anti-competitive weapon," *Columbia v. Omni Outdoor Advertising, Inc.,* 499 U.S. 365, 380, 111 S.Ct. 1344, 113 L.Ed.2d 382 (1991). This two-tiered process requires the plaintiff to disprove the challenged lawsuit's legal viability before the court will entertain evidence of the suit's economic viability.

Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 60-61,113 S.Ct. 1920, 123 L.Ed.2d 611 (1993). To ascertain "baselessness," a court must consider whether the litigant had "probable cause" to initiate the legal action. *Id.* at 62, 113 S.Ct. 1920. If there is probable cause, the defendant automatically enjoys *Noerr-Pennington* immunity, and the second, subjective motivation prong of the *Professional Real Estate* test becomes irrelevant. *See id.* at 63, 113 S.Ct. 1920. Probable cause to sue may exist when the law is unsettled or when an "action [is] arguably 'warranted

by existing law' or at the very least [is] based on an objectively 'good faith argument for the extension . . . of existing law.'" *Id.* at 65, 113 S.Ct. 1920 (quoting Fed.R.Civ.P. 11).

In establishing the requirements for the sham exception to the *Noerr-Pennington* doctrine, the Court emphasized that "[w]hether applying *Noerr* as an antitrust doctrine *or invoking it in other contexts,* we have repeatedly reaffirmed that evidence of anti-competitive intent or purpose alone cannot transform otherwise legitimate activity into a sham." *Professional Real Estate,* 508 U.S. at 59, 113 S.Ct. 1920 (emphasis added). As an example of the emphasis on objective reasonableness as the linchpin of petitioning immunity outside the antitrust context, *Professional Real Estate* cites *Bill Johnson's Restaurants,* 461 U.S. at 743, 103 S.Ct. 2161. In that case, the Court held "[t]he filing and prosecution of a well-founded lawsuit may not be enjoined as an unfair labor practice, even if it would not have been commenced but for the plaintiff's desire to retaliate against the defendant for exercising rights protected by the [National Labor Relations] Act." *Bill Johnson's Restaurants,* 461 U.S. at 743, 103 S.Ct. 2161.[13] Thus, the Supreme Court has consistently held that petitioning activity invoking the judicial process is deserving of protection unless it is objectively baseless and motivated by an unlawful purpose.

In accordance with *Professional Real Estate,* I would conclude that MLBPA is entitled to immunity from all of Cardtoons's state tort claims arising from the Champs letter unless the allegations of wrongdoing and threats of litigation contained in the letter were objectively baseless, in the sense

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[13] *Bill Johnson's Restaurants* went on to hold that the employee could proceed with his or her unfair labor practices case if the employer did not prevail in its state law claim. 461 U.S. at 747, 103 S.Ct. 2161.

of lacking probable cause, and employed primarily for improper purposes.

Such a holding would be consistent with *McDonald v. Smith,* 472 U.S. 479, 105 S.Ct. 2787, 86 L.Ed.2d 384 (1985), in which the Court addressed whether petitioning activity directed to the executive branch of government—specifically, a letter to the President—should be immune from a state tort claim of libel. Relying on *White v. Nicholls,* 44 U.S. (3 How.) 266, 11 L.Ed. 591 (1845), and *New York Times Co. v. Sullivan,* 376 U.S. 254, 84 S.Ct. 710, 11 L.Ed.2d 686 (1964), the Court held that the petitioning activity was not immune from liability for libel if carried out with actual malice, that is, " 'falsehood and the absence of probable cause.' " *McDonald,* 472 U.S. at 484, 105 S.Ct. 2787 (quoting *White,* 44 U.S. (3 How.) at 291); *see also New York Times,* 376 U.S. at 279-80, 84 S.Ct. 710 (defining actual malice as "with knowledge that it was false or with reckless disregard of whether it was false or not"). In a statement of particular relevance to this case, the Court noted that its conclusion that the First Amendment does not provide absolute immunity for petitions to the government was consistent with the principle at the heart of the *Noerr-Pennington* sham litigation test: " '[B]aseless litigation is not immunized by the First Amendment right to petition.' " *McDonald* at 484, 105 S.Ct. 2787 (quoting *Bill Johnson's Restaurants,* 461 U.S. at 743, 103 S.Ct. 2161; citing *California Motor Transport,* 404 U.S. at 513, 92 S.Ct. 609).[14]

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[14] Contrary to the majority's suggestion, *McDonald*'s conclusion that individuals do not enjoy absolute immunity from state common law claims arising from statements made in petitions to the government does not mean that there is no constitutional protection from such claims. Rather, *McDonald* makes it clear that state libel actions arising from petitioning activity cannot proceed unless the elements of libel are consistent with the constitutionally-mandated actual malice standard. 472 U.S. at 484-85, 105 S.Ct. 2787.

To the extent there are any practical differences between *McDonald*'s "actual malice" standard and *Professional Real Estate*'s "objectively baseless" standard, I would find the latter more applicable to petitioning activity invoking the judicial process through allegations of wrongdoing. Moreover, I reject Cardtoons's suggestion that at the very least the *McDonald* standard should be applied in determining whether MLBPA is immune from the libel claim. Applying different standards to determine a defendant's immunity from different tort claims arising from the same petitioning activity would inject unnecessary confusion into the analysis of Petition Clause immunity, and perhaps even undermine such immunity by producing conflicting results. In this case, for example, Cardtoons labels as libelous the assertion in the Champs letter that, "[MLBPA] believe[s] that the activities of [Cardtoons] violate the valuable property rights of publicity of the MLBPA and the players themselves." (Appellant's App. at 10.) This statement is coextensive with the allegations of wrongdoing—participating those activities—on which the threats of litigation are based. Doctrinal consistency requires that the issue of whether these statements will be afforded Petition Clause immunity be determined by a single standard—the objectively baseless standard.[15]

II

Applying this analytical framework the case at bar, I agree with the district court's conclusion that the allegations of infringement and threats of litigation contained in the Champs letter were objectively reasonable. Therefore, I would affirm.

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[15] To the extent a libel claim is based on assertions in a cease-and-desist letter other than the legal and factual bases for the allegations of infringement and threats of litigation, the *McDonald* standard might be appropriate.

APPENDIX B

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 98-5061

CARDTOONS, L.C.,
AN OKLAHOMA LIMITED LIABILITY COMPANY,
Plaintiff-Appellant,

v.

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,
AN UNINCORPORATED ASSOCIATION,
Defendant-Appellee.

June 29, 1999

Before EBEL, McWILLIAMS and LUCERO, Circuit Judges.

LUCERO, Circuit Judge.

This case requires us to decide whether *Noerr-Pennington* immunity can attach to threats of litigation made with probable cause. Applying the "objectively baseless" test articulated in *Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc.*, 508 U.S. 49, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993), the district court concluded that the non-consummated threats of a lawsuit made by the Major League Baseball Players Association to Cardtoons and Champs Marketing, Inc., enjoy *Noerr-Pennington* protection. We exercise jurisdiction pursuant to 28 U.S.C. § 1291, and affirm.

I

Cardtoons, L.C. ("Cardtoons"), produces parody trading cards that feature caricatures of active major league baseball

players.[1] Cardtoons contracted with Champs Marketing, Inc. ("Champs"), an Ohio corporation, to print the cards. Major League Baseball Players Association ("MLBPA"), the exclusive collective bargaining agent for all active major league baseball players, is the assignee of the publicity rights of current players and handles licensing agreements authorizing the use of their identities.

In a letter to Cardtoons dated June 18, 1993 ("Cardtoons letter"), MLBPA claimed that by producing and selling the cards, Cardtoons was "violat[ing] the valuable property rights of MLBPA and the players." The MLBPA threatened to "pursue its full legal remedies" if Cardtoons refused to cease production and sale of the cards. Appellant's App. at 8-9. In a similar letter dated the same day ("Champs letter"), MLBPA also threatened Champs with litigation if it did not stop "participating in Cardtoons illegal activities." Appellant's App. at 10. Upon receipt of the letter, Champs notified Cardtoons that it intended to stop printing the cards.

Four days later, Cardtoons filed suit in federal district court for a declaratory judgment on the issue of whether its cards violated MLBPA's publicity and intellectual property rights. Also seeking injunctive relief,[2] Cardtoons asked the court to bar MLBPA from interfering with Champs and other third parties involved in the production and sale of the cards. Additionally, the suit alleged that MLBPA had tortiously

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[1] A more thorough description of the humorous cards, as well as the less humorous litigation surrounding the cards' production, can be found in *Cardtoons, L.C. v. Major League Baseball Players Assoc.*, 95 F.3d 959, 962-64 (10th Cir.1996).

[2] As part of its request for injunctive relief, Cardtoons sought a temporary restraining order and preliminary injunction to prevent MLBPA from interfering with Cardtoons's contractual relations with Champs. Cardtoons subsequently withdrew its request for these additional remedies when they were rendered moot by Champs's decision to stop producing the cards.

interfered with Cardtoons's contractual relations with Champs. MLBPA moved to dismiss the complaint for lack of subject matter jurisdiction, and filed counterclaims seeking declaratory judgment, injunctive relief, and damages under Oklahoma's publicity rights statute, Okla. Stat. tit. 21 § 839.1 and 839.2 (1993).

Unless Cardtoons was entitled to produce and sell the cards, as alleged in the claim for declaratory judgment, it could not recover damages on the tortious interference claims. Therefore, the parties agreed that before the adjudication of Cardtoons's tort claim, a magistrate judge should conduct an evidentiary hearing and issue a report limited to Cardtoons's declaratory judgment claim and MLBPA's counterclaims.

Concluding that Cardtoons's activities violated the baseball players' rights of publicity under Oklahoma law, the magistrate recommended judgment on these claims in favor of MLBPA. The district court initially adopted the recommendation. *See Cardtoons, L.C. v. Major League Baseball Players Ass'n,* 838 F.Supp. 1501 (N.D.Okla.1993). Following the Supreme Court's decision in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 114 S.Ct. 1164, 127 L.Ed.2d 500 (1994), however, the district court concluded that the parody cards enjoyed First Amendment protection against MLBPA's infringement claims. Accordingly, the court vacated its initial decision and entered judgment for Cardtoons. *See Cardtoons, L.C. v. Major League Baseball Players Ass'n,* 868 F.Supp. 1266 (N.D.Okla.1994) ("*Cardtoons I*"). We affirmed, holding that the parody cards are "an important form of entertainment and social commentary that deserve First Amendment protection." *Cardtoons, L.C v. Major League Baseball Players Assoc.*, 95 F.3d 959, 976 (10th Cir.1996) ("*Cardtoons II*").

Having prevailed on the declaratory judgment claim, Cardtoons returned to the district court to pursue its claims

for damages against MLBPA. In addition to the claim for tortious interference with contract, Cardtoons asserted new claims for prima facie tort, libel, and negligence, all stemming from the allegations contained in the Cardtoons and Champs letters. Concluding that both letters were immune from liability under the "*Noerr-Pennington*" doctrine, the district court granted summary judgment for MLBPA and dismissed all of Cardtoons's state law claims. *See Cardtoons, L.C., v. Major League Baseball Players Ass'n*, No. 93-C-576-E (N.D.Okla. Mar. 12, 1998) ("*Cardtoons III*"). Cardtoons challenges the court's application of the *Noerr-Pennington* doctrine and appeals the grant of summary judgment.[3] Cardtoons also appeals the court's decision to stay discovery pending its ruling on MLBPA's motion for summary judgment.

II

As originally articulated, the *Noerr-Pennington* doctrine provides general immunity from antitrust liability to private parties who petition the government for redress, notwithstanding the anticompetitive purpose or consequences of their petitions. *See Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 135-38, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961) (establishing immunity for petitions to state legislature); *see also United Mine Workers of America v. Pennington*, 381 U.S. 657, 670, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965) (extending *Noerr* immunity to petitions of public officials). The Court later extended *Noerr-Pennington* immunity to the right of access to courts. *See California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972) (citations

[3] In its briefs, Cardtoons seems to appeal the grant of summary judgment only with respect to the Champs letter. We note, however, that our conclusions would not change if the appeal also involved the Cardtoons letter.

omitted). Moreover, because it emanates from the First Amendment right of petition, *see Bright v. Moss Ambulance Service, Inc.*, 824 F.2d 819, 821 n. 1 (10th Cir.1987) (quoting *City of Lafayette, La. v. Louisiana Power & Light Co.*, 435 U.S. 389, 399, 98 S.Ct. 1123, 55 L.Ed.2d 364 (1978)), *Noerr-Pennington* immunity stands independent of its aborigine roots in antitrust, *see, e.g., Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 742-43, 103 S.Ct. 2161, 76 L.Ed.2d 277 (1983) (immunizing employer from prosecution for unfair labor practice even if an otherwise valid suit against employee is driven by a retaliatory motive); *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 913-14, 102 S.Ct. 3409, 73 L.Ed.2d 1215 (1982) (immunizing a nonviolent business boycott seeking to vindicate economic and equal rights); *South Dakota v. Kansas City Southern Indus., Inc.*, 880 F.2d 40, 50 (8th Cir.1989) (immunizing defendant from claim of interference with contractual relations).

Although broad and extensive, *Noerr-Pennington* immunity is not a shield for a petitioner whose conduct, although "ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere with the business relationships of a competitor." *Noerr*, 365 U.S. at 144, 81 S.Ct. 523. The Supreme Court has established a two-part definition of sham litigation:

> First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under *Noerr*, and an antitrust claim premised on the sham exception must fail. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the

> baseless lawsuit conceals "an attempt to interfere directly with the business relationships of a competitor," *Noerr*, 365 U.S. at 144, 81 S.Ct. 523, through the "use [of] the governmental process—as opposed to the outcome of that process—as an anticompetitive weapon," *Columbia v. Omni Outdoor Advertising, Inc.*, 499 U.S. 365, 380, 111 S.Ct. 1344, 113 L.Ed.2d 382 (1991). This two-tiered process requires the plaintiff to disprove the challenged lawsuit's legal viability before the court will entertain evidence of the suit's economic viability.

Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc., 508 U.S. 49, 60-61, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993).

To ascertain "baselessness," a court must consider whether the litigant had "probable cause" to initiate the legal action. *Id.* at 62, 113 S.Ct. 1920. If there is probable cause, the defendant automatically enjoys *Noerr-Pennington* immunity, and the second, subjective motivation prong of the *Professional Real Estate* test becomes irrelevant. *See id.* at 63, 113 S.Ct. 1920. Probable cause to sue may exist when the law is unsettled or when an "action [is] arguably 'warranted by existing law' or at the very least [is] based on an objectively 'good faith argument for the extension . . . of existing law.' " *Id.* at 65, 113 S.Ct. 1920 (quoting Fed.R.Civ.P. 11).

Neither the Supreme Court nor this circuit has directly addressed the issue of whether *Noerr-Pennington* immunity attaches to the mere threat of a law suit. Confronted with this issue, however, three other circuits have concluded that prelitigation threats of suit enjoy the same immunity as litigation itself, so long as the threats are not shams. *See McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1558-60 (11th Cir.1992); *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842, 850-51 (1st Cir.1985); *Coastal States Mktg., Inc. v. Hunt*, 694

F.2d 1358, 1367 (5th Cir.1983). In so holding, the Fifth Circuit reasoned that "it would be absurd to hold that [petitioning immunity] does not protect those acts reasonably and normally attendant upon effective litigation. The litigator should not be protected only when he strikes without warning." *Coastal States,* 694 F.2d at 1367. Commentators have agreed with this extension and have further developed the policy rationales behind it. *See, e.g.,* Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* § 205e at 237 (rev. ed.1997) (withholding immunity from prelitigation communication would curb practices that "provide useful notice and facilitate the resolution of controversies"); Herbert Hovenkamp, *Federal Antitrust Policy* § 18.3d at 644 (1994) (immunizing prelitigation threats is vital to "[o]ur entire dispute resolution process[, which] is designed to encourage people to resolve their differences if possible before litigating").[4]

We adopt the legal and policy rationales that have informed other circuits' extension of *Noerr-Pennington* immunity to prelitigation threats, and hold that whether or not they are consummated, such threats enjoy the same level of protection from liability as litigation itself.[5] In addition, when

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[4] Applying *Noerr-Pennington* protection to prelitigation threats is especially important in the intellectual property context, where warning letters are often used as a deterrent against infringement. *See, e.g., Matsushita Electronics Corp. v. Loral Corp.,* 974 F.Supp. 345, 359 (S.D.N.Y.1997) (concluding that policing letters sent to suspected patent infringers enjoyed *Noerr-Pennington* immunity); *Thermos Co. v. Igloo Products Corp.,* 1995 WL 842002, *4 (N.D.Ill. Sept. 27, 1995) (same, for policing letters to alleged trademark infringers); *see generally* Ronald B. Coolley, Notifications of Infringement and Their Consequences, 77 *J. Pat. & Trademark Off. Soc'y* 246, 246 (1995) (describing notification of suspected intellectual property infringers as a "common reaction" of rights holders).

[5] The dissent would bifurcate the test for granting *Noerr-Pennington* immunity by applying the more lenient *Professional Real Estate* standard

considering whether prelitigation threats enjoy *Noerr-Pennington* immunity, we conclude that we must apply the two-part sham test of *Professional Real Estate*.[6]

III

"We review the grant or denial of summary judgment de novo, applying the same legal standard used by the district court pursuant to Fed.R.Civ.P. 56(c)." *Kaul v Stephan*, 83 F.3d 1208, 1212 (10th Cir.1996) (citation and internal

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when a party files suit, while requiring a party who merely issues a threat to demonstrate that he acted both in "good-faith" and as a "proximate prologue to actual or imminent litigation." Diss. Op. at 1142. This approach creates an incentive to litigate, and would not, as the dissent maintains, protect poorly financed entities like Champs from "private bullying communication." Diss. Op. at 1141. Instead, such companies would become more vulnerable to ruinous lawsuits, as the threatening letter takes the form of a legal complaint.

[6] All of the prelitigation cases from other circuits were decided before *Professional Real Estate*, and provide us with no uniform standard to determine when a threat to litigate is worthy of *Noerr-Pennington* protection. *See, e.g., McGuire Oil*, 958 F.2d at 1560-61 & n. 12 (applying subjective test and objectively baseless test); *CVD*, 769 F.2d at 851 (applying both a "bad faith" test and a test for clear and convincing evidence that the defendant's claim was objectively baseless); *but see Coastal States*, 694 F.2d at 1372 ("A litigant should enjoy petitioning immunity from the antitrust laws so long as a genuine desire for judicial relief is a significant motivating factor underlying the suit."). We note, however, that to the extent these cases are inconsistent with *Professional Real Estate*, they are unfaithful to the *Noerr-Pennington* doctrine. *See Professional Real Estate*, 508 U.S. at 57, 60, 113 S.Ct. 1920 (describing the "objective reasonableness" test as part of the "original formulation" of the *Noerr-Pennington* sham exception, and declaring that "fidelity to precedent compels us to reject a purely subjective definition of 'sham' "). Indeed, the Eleventh Circuit, when applying a test for sham litigation after the Supreme Court had granted certiorari but before it had decided *Professional Real Estate*, implied that whatever test the Supreme Court articulates for granting immunity for litigation under *Noerr-Pennington* must similarly apply to prelitigation threats. *See McGuire Oil*, 958 F.2d at 1560-61 & n. 12.

quotation omitted). Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c). In the *Noerr-Pennington* context, "a court may decide probable cause as a matter of law" at the summary judgment stage when a defendant raises *Noerr-Pennington* immunity as a defense and the predicate facts are undisputed. *Professional Real Estate,* 508 U.S. at 63, 113 S.Ct. 1920.

A

If MLBPA had probable cause to threaten Champs with litigation, the Champs letter enjoys *Noerr-Pennington* immunity under the *Professional Real Estate* test. To determine whether there was probable cause, we must first consider the validity of the underlying threatened action—the infringement suit against Cardtoons for its parody cards—and then turn to the validity of a cause of action against Champs as the printer of the cards.

Prior to our decision in *Cardtoons II,* the only federal appellate court decision addressing the constitutional tensions inherent in a celebrity parody provided some legal support for MLBPA's allegations against Cardtoons. *See Cardtoons II,* 95 F.3d at 970 (discussing *White v. Samsung Electronics America, Inc.,* 971 F.2d 1395 (9th Cir.1992)). At the time of its prelitigation threats against Champs, MLBPA therefore had probable cause to believe that Cardtoons's parody cards infringed its publicity rights. Furthermore, as *Cardtoons II* demonstrates, MLBPA's infringement claim was premised on a reasonable argument that its publicity rights outweighed Cardtoons's free speech rights. *See Cardtoons II,* 95 F.3d at 970-76 (applying balancing test and concluding that Cardtoons's speech rights prevail over MLBPA's property rights). Therefore, although MLBPA's infringement claim did

not prevail, our prior adjudication shows that "a similarly situated reasonable litigant could have perceived some likelihood of success." *Professional Real Estate,* 508 U.S. at 65, 113 S.Ct. 1920. As such, the district court could reasonably conclude that MLBPA's threats against Cardtoons were "an objectively plausible effort to enforce rights" and deserved *Noerr-Pennington* protection. *Id.*

Cardtoons argues that even if MLBPA's threats against Cardtoons enjoy immunity, our decision in *Cardtoons II* does not resolve the issue of whether *Noerr-Pennington* immunity attaches to the Champs letter. In *Cardtoons II,* we applied Oklahoma's statutory right of publicity law. Here, Cardtoons asserts, Ohio's common law of publicity rights controls because Ohio is the locus of Champs's conduct and its state of residence, and therefore has the most significant contacts to the torts alleged. Ohio's "incidental use" exception to the right of publicity, Cardtoons contends, provides MLBPA with less protection for its publicity rights than it enjoyed under Oklahoma law. Under Ohio law, therefore, MLBPA lacked probable cause for its threats against Champs.

Ohio law recognizes an incidental use exception to its right of publicity law that applies when a person's name or likeness is used "for purposes other than taking [commercial] advantage of his reputation, prestige, or other value associated with him." *Zacchini v. Scripps-Howard Broadcasting Co.,* 47 Ohio St.2d 224, 351 N.E.2d 454, 459 n. 4 (Ohio), *rev'd on other grounds,* 433 U.S. 562, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977) (quotation and internal citation omitted). In our prior adjudication, we specifically noted that Oklahoma's right of publicity statute also contains a provision that is analogous to the concept of "incidental use." *See Cardtoons II,* 95 F.3d at 968. We discern no marked difference between the incidental use exception in Oklahoma and Ohio. In both states the applicability of the exception turns on the degree to which a defendant derives commercial

benefit from its use of the plaintiff's name or likeness. *See* 12 Okla. Stat. title § 1449(E) (1999) (stating that whether the use of a person's "likeness [is] so directly connected with commercial" activity as to constitute a violation of the right of publicity presents a question of fact); *Zacchini,* 351 N.E.2d at 458 n. 4 (stating that although the incidental use exception under Ohio law does not apply to the commercial exploitation of another's likeness, the mere fact that a defendant "seeks to make profit" from his endeavor is not enough to establish commercial use).

Moreover, MLBPA had a colorable claim for infringement under Ohio law. One Ohio court has applied the incidental use exception in a situation in which the defendant used an Olympic athlete's name and likeness in the context of accurate, historical information on disposable drinking cups. *See Vinci v. American Can Co.,* 69 Ohio App.3d 727, 591 N.E.2d 793, 794 (Ohio Ct.App.1990). Because this use was not meant to support or promote the cups, the court found it to be merely incidental. *See id.* In our conclusion in *Cardtoons II* that the Oklahoma incidental use exception was inapplicable to the parody cards, we noted that "the players were specifically selected for their wide market appeal," and the use of their likeness was "directly connected with a proposed commercial endeavor." *Cardtoons II,* 95 F.3d at 968. Accordingly, MLBPA's claim would not have been foreclosed under Ohio law.

Even if MLBPA had probable cause to assert a claim of infringement against Champs in Ohio, Cardtoons argues, MLBPA lacked probable cause for the Champs letter because as a printer, Champs was a passive actor and is liable as a contributory tort infringer only if it knew or had reason to know that it was aiding and abetting an infringement. *See, e.g., Misut v. Mooney,* 124 Misc.2d 95, 475 N.Y.S.2d 233, 236 (N.Y.Sup.Ct.1984); *Maynard v. Port Publications, Inc.,* 98 Wis.2d 555, 297 N.W.2d 500, 507 (Wis.1980). The

Champs letter, however, provided the very notice that *Misut* and *Maynard* require. Cardtoons cannot argue that Champs was not liable unless it had notice of an infringement, while also contending that MLBPA rendered itself ineligible for *Noerr-Pennington* immunity by providing the required notice.[7]

We therefore need not resolve the conflict of law and publicity rights issues that Cardtoons raises, because under either potentially controlling legal regime, MLBPA would have had probable cause on its infringement claim against Champs. Accordingly, the Champs letter enjoyed *Noerr-Pennington* immunity as a threat of litigation.

B

Cardtoons contends that *Noerr-Pennington* immunity does not extend to its libel claim against MLBPA, which is based not on the MLBPA's threat of litigation but on the allegations in the Champs letter that Cardtoons violated the law. Specifically, the Champs letter states, "[MLBPA] believe[s] that the activities of [Cardtoons] violate the valuable property rights of publicity of the MLBPA and the players themselves." Appellant's App. at 10. The letter contains no further statements of fact or law concerning Cardtoons and its activities, except to characterize them as "illegal." *Id.*

We hold that a defendant like MLBPA, who has probable cause to threaten litigation and makes no assertion beyond the legal and factual bases for the threats, may enjoy *Noerr-Pennington* immunity from a claim of libel. This holding is

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[7] Moreover, the law of contributory infringement in the publicity rights context is not so settled that it would foreclose MLBPA from making a good faith argument for the extension of existing law by asserting a claim against Champs. *See* 1 J. Thomas McCarthy, *The Rights of Publicity and Privacy* § 3.7[E] (1999) (arguing that contributory infringement of a publicity right by a "passive actor" is a colorable claim for which there should be liability).

not inconsistent with *McDonald v. Smith*, 472 U.S. 479, 105 S.Ct. 2787, 86 L.Ed.2d 384 (1985). There, the Court held that the First Amendment does not provide absolute immunity for petitions to the government that express libelous and damaging falsehoods. *See id.* at 485, 105 S.Ct. 2787. In so holding, the Court relied on the principle at the core of the *Noerr-Pennington* doctrine that " 'baseless litigation is not immunized by the First Amendment right to petition.' " *Id.* at 484, 105 S.Ct. 2787 (quoting *Bill Johnson's Restaurants*, 461 U.S. at 743, 103 S.Ct. 2161).

We have already concluded that MLBPA's threats of litigation were not baseless because it had probable cause to assert a publicity rights infringement claim against Cardtoons. The statements that Cardtoons labels as libelous are coextensive with the threats of litigation to which we have already attached *Noerr-Pennington* immunity. If Cardtoons's argument prevails, a defendant would be exposed to libel claims even if his litigation or threat to litigate were supported by probable cause. By allowing an alternative cause of action against petitions that are otherwise eligible for immunity, the argument renders *Noerr-Pennington* a nullity.

Cardtoons argues that it was prejudiced by the district court's stay of discovery pending its adjudication of MLBPA's summary judgment motion. It claims the stay barred it from attempting to discover whether MLBPA had any intent to pursue legal action against Champs, and whether MLBPA had performed any research on potential legal claims prior to issuing the threatening letters. Furthermore, Cardtoons claims that it hoped to discover evidence of MLBPA's subjective intent to dissuade Champs from performing its legitimate duties under its contract with Cardtoons.

Under the *Professional Real Estate* test, however, MLBPA's subjective intent would have been relevant only if its threats were objectively baseless. MLBPA presented

sufficient predicate facts to demonstrate to the district court that as a matter of law, MLBPA had probable cause to threaten suit against Cardtoons and Champs, and that therefore its threats were not objectively baseless. Having affirmed the district court's conclusion that MLBPA is immune from all of Cardtoons's state law claims, we must affirm the district court's stay of discovery. *See Professional Real Estate,* 508 U.S. at 65-66, 113 S.Ct. 1920 (holding that without proof that defendant's infringement action was objectively baseless, circuit court correctly denied request for further discovery).

The district court's opinion is AFFIRMED.

EBEL, Circuit Judge, dissenting.

Although I agree with much of the majority opinion, I respectfully dissent from its holding that (1) prelitigation threats, "whether or not they are consummated . . . enjoy the same level of protection from liability as litigation itself" under the First Amendment doctrine of *Noerr-Pennington;* and (2) "when considering whether prelitigation threats enjoy *Noerr-Pennington* immunity . . . we must apply the two-part sham test" of *Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc. (PRE),* 508 U.S. 49, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993). Maj. Op. at 1136-37. The first holding is flawed because it assumes that all threats of litigation between *private parties* constitute petitions to the government (which is solely what *Noerr-Pennington* protects). The second holding is flawed because *PRE* determines only whether an acknowledged governmental petition is a sham undeserving of *Noerr-Pennington* immunity, but does not determine whether purely private communications that never go to the government should be considered a governmental petition in the first place. Therefore, granting *Noerr-Pennington* immunity to all prelitigation threats that satisfy *PRE*'s sham test wrongly extends *Noerr-Pennington* by immunizing a whole host of prelitigation threats that cannot meet even the threshold criteria of facially presenting a petition to the government. Considered together, the majority's holdings may be read to stand for the proposition that all private correspondence between private parties that threaten objectively reasonable litigation shall be deemed to be petitions to government entitled to *Noerr-Pennington* immunity. To state this proposition is to refute it.

Starting with fundamentals, the *Noerr-Pennington* doctrine, which provides immunity for petitions to the government, derives from the First Amendment right "*to petition the government* for a redress of grievances." U.S.

Const. amend. I (emphasis added). The Supreme Court has established that actual litigation is a form of petitioning the government protected by the First Amendment. *See California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510-11, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972) (defendants entitled to *Noerr-Pennington* for instituting state and federal proceedings because right to petition includes "right of access to the courts"); *PRE*, 508 U.S. at 60, 113 S.Ct. 1920 (litigation is protected under *Noerr-Pennington* if it is not sham). However, it is an unwarranted leap neither compelled by the text of the First Amendment, nor the *Noerr-Pennington* line of cases from the Supreme Court or our circuit, to conclude that all purely private correspondence threatening suit constitutes a "petition [to] the government" under the First Amendment.[1]

Indeed, the facts of this case belie any suggestion that the MLBPA actually petitioned the government with regard to the threatening letter at issue here—specifically, the letter to Champs. The MLBPA's cease-and-desist letter to Champs threatening suit was never sent to the government; did not ask the government for any response or "redress of grievances"; was not even known to the government prior to Cardtoons' declaratory judgment action against the MLBPA; and did not ever result in any litigation. It seems an unreasonable stretch to shield this purely private correspondence between the MLBPA and Champs under the *Noerr-Pennington* aegis as a petition to the government.

Besides this textual problem, according *Noerr-Pennington* immunity to purely private correspondence poses practical problems. First, the government has supervisory power to prevent the misuse of actual petitions to the government.

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[1] In fact, the majority admits that "[n]either the Supreme Court nor this circuit has directly addressed the issue of whether *Noerr-Pennington* immunity attaches to the mere threat of a law suit." Maj. Op. at 1136.

With litigation, for example, a district court has power under Fed.R.Civ.P. 11 to supervise pleadings, motions, and other representations "present[ed] to the court," and to issue sanctions for violations of the rule. In contrast, the government has much more limited power to regulate the misuse of purely private correspondence because such correspondence will seldom be brought to the government's attention.

Second, the majority's extension of *Noerr-Pennington* immunity to prelitigation threats will prove difficult to implement. How far back in time should *Noerr-Pennington* immunity extend prior to an actual petition to the government? Litigation is often preceded by lengthy communications of an increasingly acrimonious nature. How early into the process would the majority extend immunity? Would the majority go back to include the first tentative statement of disagreement over the interpretation of a contract, perhaps even before litigation is contemplated? Would it apply *Noerr-Pennington* even earlier to the structuring of business deals in the first instance, where considerations of potential litigation are often spoken or unspoken factors? Does the word "litigation" have to be explicitly mentioned in the communication in order for it to be privileged, or may it be implied?

Here, all these difficult questions are enormously compounded because no litigation ever actually resulted between the MLBPA and Champs. The threatening cease-and-desist letter from the MLBPA did not at any time—even to today—culminate in an actual petition to the government against Champs. Indeed, Cardtoons suggests that the MLBPA commonly uses such threats of expensive litigation to bully poorly-financed entities who might tarnish the image of professional baseball players—regardless of whether the MLBPA has any intention to petition the government with a follow-up lawsuit. If this claim can be proven, then it escapes

me why such private bullying communication should receive *Noerr-Pennington* immunity as if it were a petition to the government just because it may state some theoretical but objectively supported claim. When a large company has a practice of threatening others in purely private correspondence without any intent or custom to follow through with actual litigation, there is no basis for awarding *Noerr-Pennington* immunity under the fiction that the company has petitioned the government. Granting *Noerr-Pennington* immunity to this type of correspondence declares open season for companies to engage in libelous, anticompetitive, or otherwise unlawful communications without fear of legal repercussion.

These textual and practical problems illustrate the imprudence of extending *Noerr-Pennington* immunity to all prelitigation threats. Simply put, if all such threats between private parties constitute petitions to the government, as the majority premises, then the First Amendment's protection of the right "to petition the government" is transmogrified into a generalized constitutional immunity for private disputes not involving the government in any form. Rather than suffer such a revision of the First Amendment, I would revise the majority's premise.

Noerr-Pennington should protect only prelitigation threats that have a strong and compelling nexus to actual litigation such that the threat may be considered an incipient part of a petition to the government. To prove this nexus, I would require the party invoking *Noerr-Pennington* to show that its prelitigation threat was a (1) good-faith, (2) objectively reasonable, and (3) proximate prologue to actual or imminent litigation.[2]

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[2] This test differs from the majority's test because the majority would grant *Noerr-Pennington* immunity solely on the ground of an objectively

Each element of this three-part test is essential to properly limit the reach of *Noerr-Pennington* with respect to prelitigation threats. *First*, the prelitigation threat must be in good faith to ensure that *Noerr-Pennington* immunity would not protect a private party who sends a threatening communication without any actual bona-fide intent to petition the government. This good-faith requirement is consistent with all circuit cases applying *Noerr-Pennington* to threats of litigation, as these cases implicitly require such threats to be in good-faith. *See McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1559-60 (11th Cir.1992) (stating that sham exception subjects to antitrust liability defendant whose activities, including threats of litigation, "are not *genuinely aimed* at procuring favorable government action at all" (emphasis added; quotations omitted)); *CVD Inc. v. Raytheon Co.*, 769 F.2d 842, 851 (1st Cir.1985) ("[W]e hold that the threat of unfounded trade secrets litigation *in bad faith* is sufficient to constitute a cause of action under the antitrust laws, provided that the other essential elements of a violation are proven." (emphasis added)); *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1367, 1372-73 (5th Cir.1983) (finding threats of litigation and ensuing litigation protected by petitioning immunity because they were in good faith); *Alexander v. National Farmers Org.*, 687 F.2d 1173, 1200, 1203 (8th Cir.1982) (refusing to grant *Noerr-Pennington* immunity to "a broad pattern of litigation threats and harassment" where they were not "in *good faith*" but rather "clearly constitute[d] *bad faith* unlawful harassment" (emphasis added)); *cf. American Potato Dryers v. Peters*, 184 F.2d 165, 173 (4th Cir.1950) (in pre-*Noerr-Pennington* case, holding that "threats of suit . . . made in *good faith*" were not antitrust violations (emphasis added)).

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reasonable basis for the threat without also requiring that the threat be in good faith and proximate to actual or imminent litigation.

Furthermore, contrary to what the majority intimates, *see* Maj. Op. at 1136-37 n. 5, 1139-40, this requirement is consistent with *PRE*'s two-part sham test. That test engages in a subjective inquiry only if the litigation first is determined to be objectively baseless. *See PRE,* 508 U.S. at 60, 113 S.Ct. 1920. By its facts and terms, however, *PRE* applies to *litigation,* i.e., an actual lawsuit. *See id.* ("We now outline a two-part definition of 'sham' *litigation.* First, the *lawsuit* must be objectively baseless. . . . Only if the challenged *litigation* is objectively meritless may a court examine a *litigant's* subjective motivation." (emphasis added).) *PRE*'s sham litigation test determines whether a petition to the government (in lawsuit form) qualifies for *Noerr-Pennington* immunity. However, *PRE* provides no guidance on whether or when a *prelitigation threat* between private parties constitutes as a petition to the government. Hence, before we can apply *PRE* to determine which prelitigation threats, as petitions to the government, merit *Noerr-Pennington* immunity, we first must decide which prelitigation threats amount to petitioning activity. Requiring good-faith in this threshold inquiry, therefore, does not conflict with *PRE,* as *PRE* does not come into play until after the prelitigation threat is determined to be a petition to the government.[3] On the other hand, granting *Noerr-Pennington* immunity to all prelitigation threats that satisfy *PRE,* without winnowing out threats that cannot qualify as petitions to the government, erroneously extends *Noerr-Pennington* immunity beyond First Amendment activity.

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[3] As a result, the majority is wrong to imply that *PRE* contradicts the earlier circuit cases requiring threats of litigation to be in good faith in order to receive *Noerr-Pennington* immunity. While *PRE* may limit those cases to the extent that they also require actual litigation to be brought in good faith without first inquiring into objective baselessness, *PRE* does not touch upon the subjective test for whether threats of litigation should receive petitioning immunity.

Second, the objectively reasonable test is necessary to prevent *Noerr-Pennington* immunity from attaching to prelitigation threats that would have no basis as an actual petition, and therefore should not receive protection as petitioning activity. This element is coextensive with the objective prong of *PRE.*

Third, the proximity element ensures that *Noerr–Pennington* would immunize only those communications that are attendant to imminent or actual litigation and consequently may be considered an initial part of the petitioning process. If no petition actually results, it should be more difficult to establish proximity because the party claiming immunity should have to show some intervening cause that aborted an otherwise imminent petition.

Applied to the instant case, the three-part test cannot be met. Although I agree with the majority that the prelitigation threat in the MLBPA's letter to Champs had an objective basis, I do not believe the record in its undeveloped state allows us to determine whether the MLBPA's correspondence with Champs was in good-faith or proximate to actual litigation. As Cardtoons complains, the district court stayed discovery on the MLBPA's subjective intent regarding its threats pending summary judgment. I therefore would reverse the district court's entry of summary judgment in favor of the MLBPA on the ground that the MLBPA enjoyed *Noerr-Pennington* immunity, and remand to allow Cardtoons to proceed with discovery on the MLBPA's subjective intent in threatening Champs with litigation, and the proximity of that threat to actual litigation.

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA

[Filed Mar. 12, 1998]

Case No. 93-C-576-E

CARDTOONS, L.C.,
AN OKLAHOMA LIMITED LIABILITY COMPANY,
Plaintiff,

vs.

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,
AN UNINCORPORATED ASSOCIATION,
Defendant.

ORDER

This Order addresses the Motion to Dismiss/For Summary Judgment (Docket #146) of the Defendant, Major League Baseball Players Association, an unincorporated association (MLBPA). The Court considers the motion as one for Summary Judgment and shall apply the standard applicable to such motions in its determination. Further, in order to consider all argument and evidence presented, the Court grants Cardtoons' Motion to File Supplemental Brief in Response to MLBPA's Motion to Dismiss/For Summary Judgment (Docket #163).

Legal Analysis

Summary judgment pursuant to Fed.R.Civ.P. 56 is appropriate where "there is no genuine issue as to any material fact and that the moving party is entitled to judgment

as a matter of law." *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265, 274 (1986); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); *Windon Third Oil and Gas v. Federal Deposit Insurance Corporation*, 805 F.2d 342 (10th Cir. 1986). In *Celotex*, 477 U.S. at 317 (1986), it is stated:

> "The plain language of Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial."

To survive a motion for summary judgment, nonmovant "must establish that there is a genuine issue of material facts. . ." Nonmovant "must do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita v. Zenith*, 475 U.S. 574, 585 (1986).

This action was originally brought by Plaintiff for declaratory judgment that its trading cards featuring parodies of active major league baseball players did not infringe on the publicity rights of members of the MLBPA. Plaintiff also joined in the original complaint claims for injunctive relief and tortious interference with contract. The Court later allowed Plaintiff to file an Amended Complaint which added claims for prima facie tort, libel and negligence.

The Court first addressed Plaintiff's claim that the parody cards did not violate MLBPA's right of publicity. Cardtoons prevailed on this issue at both the trial level and on appeal. The claim for injunctive relief has been granted.

There remains for determination the Plaintiff's pendant state tort claims. All of Plaintiff's tort claims arise from the action of Defendant in sending cease-and-desist letters to Plaintiff and its printer, CHAMPS Marketing, Inc. in which

Defendants claimed Plaintiff and CHAMPS were infringing upon the publicity rights of the members of MLBPA.

Defendant urges a motion to dismiss the remaining counts pursuant to Fed.R.Civ.P. 12(b)(6) on the grounds that Defendant's conduct was privileged as a matter of law arising from the right to petition government for redress of grievances guaranteed by the First Amendment to the United States Constitution and thus each count of the Amended Complaint fails to state a claim upon which relief can be granted. Defendant alternatively moves for summary judgment pursuant to Fed.R.Civ.P. 56 urging that no genuine issue exists as to any material fact relating to Plaintiff's claims and that Defendant is entitled to immunity under the First Amendment to the United States Constitution as a matter of law. Plaintiff urges that summary judgment is not proper since there are uncertainties over the predicate facts arising from a conflict in evidence offered by opposing experts on mixed issues of law and fact. Cardtoons' position is that discovery is needed to determine MLBPA's subjective intent in sending the letters.

Neither party's expert opinion is necessary or proper for the resolution of the basic issue nor will they be considered. The issue before the Court is clear cut and unambiguous. The sending of the cease-and-desist letters is undisputed. The only question is whether they were covered by a First Amendment privilege, the same privilege that protects the initiation of litigation. There need be no further fact-finding on that issue.

The *Noerr-Pennington* doctrine was developed in the context of antitrust law; however it has been applied to other areas as a constitutional defense based upon First Amendment principles.

The United States Supreme Court in *Professional Real Estate Investors v. Columbia Pictures Industries, Inc.*, 508 U.S. 49, 113 S.Ct. 1920 (1993) held:

> "Litigation cannot be deprived of immunity as a sham unless it is objectively baseless. . . . Neither *Noerr* immunity nor its sham exception turns on subjective intent alone. See, *e.g., Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 503, 108 S.Ct. 1931, 1938, 100 L.Ed.2d 497. Rather, to be a "sham," litigation must meet a two-part definition. First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation."

The opinion recognizes the extension of the *Noerr-Pennington* doctrine to other areas. The immunity has been extended to efforts to influence adjudicative bodies, including courts. *See also California Motor Transport Co. v. Trucking Unlimited,* 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972).

Here, the case history establishes objective reasonableness. The Report and Recommendation of the Magistrate, the initial ruling of this Court and the conclusions of the appellate court all acknowledge the reasonableness of MLBPA's position and the fact that the issue presented a close call.

Further, a threat of litigation bears the same petitioning immunity as actual litigation. *Coastal States Marketing, Inc. v. Hunt,* 694 F.2d 1358 (5th Cir. 1983).

Conclusion

The threats of litigation contained in Defendant's letters are protected under immunity granted by the First Amendment to the United States Constitution. Application of the *Noerr-Pennington* doctrine is appropriate. Plaintiff's remaining claims for Tortious Interference with Contract, Prima Facie Tort, Libel and Negligence must fail as a matter of law. The

Motion to Dismiss/For Summary Judgment (Docket #146) is granted in favor of Defendant on all claims. Plaintiff's Motion to File Supplemental Brief (Docket #163) is granted.

It is so ORDERED this 11th Day of March, 1998.

/s/ James O. Ellison
JAMES O. ELLISON,
Senior Judge
United States District Court

APPENDIX D

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 95-5006

CARDTOONS, L.C., AN OKLAHOMA
LIMITED LIABILITY COMPANY,
Plaintiff-Appellee,

v.

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,
AN UNINCORPORATED ASSOCIATION,
Defendant-Appellant.

FIRST AMENDMENT PUBLISHING, INC.,
JOSEPH MAURO, PRO SE, AMICUS CURIAE.

Aug. 27, 1996

Before TACHA, LOGAN, and REAVLEY,* Circuit Judges.

TACHA, Circuit Judge.

Cardtoons, L.C., ("Cardtoons") brought this action to obtain a declaratory judgment that its parody trading cards featuring active major league baseball players do not infringe on the publicity rights of members of the Major League Baseball Players Association ("MLBPA"). The district court held that the trading cards constitute expression protected by the First Amendment and therefore read a parody exception into Oklahoma's statutory right of publicity. MLBPA

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* The Honorable Thomas M. Reavley, Senior Circuit Judge, United States Court of Appeals for the Fifth Circuit, sitting by designation.

appeals, arguing that (1) the district court lacked jurisdiction to issue a declaratory judgment and (2) Cardtoons does not have a First Amendment right to market its trading cards. We exercise jurisdiction pursuant to 28 U.S.C. § 1291. Because Cardtoons' First Amendment right to free expression outweighs MLBPA's proprietary right of publicity, we afffirm.

I. Background

Cardtoons formed in late 1992 to produce parody trading cards featuring caricatures of major league baseball players. Cardtoons contracted with a political cartoonist, a sports artist, and a sports author and journalist, who designed a set of 130 cards. The majority of the cards, 71, have caricatures of active major league baseball players on the front and humorous commentary about their careers on the back. The balance of the set is comprised of 20 "Big Bang Bucks" cards (cartoon drawings of currency with caricatures of the most highly paid players on the front, yearly salary statistics on the back), 10 "Spectra" cards (caricatures of active players on the front, nothing on the back), 10 retired player cards (caricatures of retired players on the front, humorous commentary about their careers on the back), 11 "Politics in Baseball" cards (cartoons featuring caricatures of political and sports figures on the front, humorous text on the back), 7 standing cards (caricatures of team logos on the front, humorous text on the back), and 1 checklist card. Except for the Spectra cards, the back of each card bears the Cardtoons logo and the following statement: "Cardtoons baseball is a parody and is NOT licensed by Major League Baseball Properties or Major League Baseball Players Association."

A person reasonably familiar with baseball can readily identify the players lampooned on the parody trading cards. The cards use similar names, recognizable caricatures, distinctive team colors, and commentary about individual

players. For example, the card parodying San Francisco Giants' outfielder Barry Bonds calls him "Treasury Bonds," and features a recognizable caricature of Bonds, complete with earring, tipping a bat boy for a 24 carat gold "Fort Knoxville Slugger." The back of the card has a team logo (the "Gents"), and the following text:

> Redemption qualities and why Treasury Bonds is the league's most valuable player:
>
> 1. Having Bonds on your team is like having money in the bank.
> 2. He plays so hard he gives 110 percent, compounded daily.
> 3. He turned down the chance to play other sports because he has a high interest rate in baseball.
> 4. He deposits the ball in the bleachers.
> 5. He is into male bonding.
> 6. He is a money player.
> 7. He has a 24-karat Gold Glove.
> 8. He always cashes in on the payoff pitch.
>
> NOTICE: Bonds is not tax-free in all states but is double exempt.

At the end of the 1992 season, Barry Bonds was a two-time winner of the National League's Most Valuable Player award, a three-time winner of a Gold Glove award, and had just signed a six-year contract for $43.75 million, making him the highest-paid player in baseball. Richard Hoffer, *The Importance of Being Barry: The Giants' Barry Bonds is the Best Player in the Game Today-Just Ask Him*, Sports Illustrated, May 24, 1993, at 13. No one the least bit familiar with the game of baseball would mistake Cardtoons' "Treasury Bonds" for anyone other than the Giants' Barry Bonds. Other caricatures, such as "Ken Spiffy, Jr." of the

"Mari-Nerds" (Ken Griffey, Jr., of the Seattle Mariners), are equally identifiable.

The trading cards ridicule the players using a variety of themes. A number of the cards, including the "Treasury Bonds" card and all of the Big Bang Bucks cards, humorously criticize players for their substantial salaries. (The irony of MLBPA's counterclaim for profits from the cards is not lost on this panel.) Other trading cards mock the players' narcissism, as exemplified by the card featuring "Egotisticky Henderson" of the "Pathetics," parodying Ricky Henderson, then of the Oakland Athletics. The card features a caricature of Henderson raising his finger in a "number one" sign while patting himself on the back, with the following text:

> Egotisticky Henderson, accepting the "Me-Me Award" from himself at the annual "Egotisticky Henderson Fan Club" banquet, sponsored by Egotisticky Henderson:
>
> "I would just like to thank myself for all I have done. (Pause for cheers.) I am the greatest of all time. (Raise arms triumphantly.) I love myself. (Pause for more cheers.) I am honored to know me. (Pause for louder cheers.) I wish there were two of me so I could spend more time with myself. (Wipe tears from eyes.) I couldn't have done it without me. (Remove cap and hold it aloft.) It's friends like me that keep me going. (Wave to crowd and acknowledge standing ovation.)

The remainder of the cards poke fun at things such as the players' names ("Chili Dog Davis" who "plays the game with relish," a parody of designated hitter Chili Davis), physical characteristics ("Cloud Johnson," a parody of six-foot-ten-inch pitcher Randy Johnson), and onfield behavior (a back-flipping "Ozzie Myth," a parody of shortstop Ozzie Smith).

The format of the parody trading cards is similar to that of traditional baseball cards. The cards, printed on cardboard

stock measuring 2½ by 3½ inches, have images of players on the front and player information on the back. Like traditional cards, the parody cards use a variety of special effects, including foil embossing, stamping, spectra etching, and U-V coating. Cardtoons also takes advantage of a number of trading card industry techniques to enhance the value of its cards, such as limiting production, serially numbering cases of the cards, and randomly inserting subsets and "chase cards" (special trading cards) into the sets.

After designing its trading cards, Cardtoons contracted with a printer (Champs Marketing, Inc.) and distributor (TCM Associates) and implemented a marketing plan. As part of that plan, Cardtoons placed an advertisement in the May 14, 1993, issue of Sports Collectors Digest. That advertisement tipped off MLBPA, the defendant in this action, and prompted its attorney to write cease and desist letters to both Cardtoons and Champs.

MLBPA is the exclusive collective bargaining agent for all active major league baseball players, and operates a group licensing program in which it acts as the assignee of the individual publicity rights of all active players. Since 1966, MLBPA has entered into group licensing arrangements for a variety of products, such as candy bars, cookies, cereals, and, most importantly, baseball trading cards, which generate over seventy percent of its licensing revenue. MLBPA receives royalties from these sales and distributes the money to individual players.

After receiving the cease and desist letter from MLBPA, Champs advised Cardtoons that it would not print the parody cards until a court of competent jurisdiction had determined that the cards did not violate MLBPA' [sic] rights. Cardtoons then filed this suit seeking a declaratory judgment that its cards do not violate the publicity or other property rights of MLBPA or its members. Cardtoons also sought damages for tortious interference with its contractual relationship with

Champs, as well as an injunction to prevent MLBPA from threatening legal action against Champs or other third parties with whom Cardtoons had contracted concerning the cards. MLBPA moved to dismiss for lack of subject matter jurisdiction, and counterclaimed for a declaratory judgment, injunction, and damages for violation of its members' rights of publicity under Oklahoma law.

The district court referred the case to a magistrate, who issued his Report and Recommendation in favor of MLBPA. The magistrate stated that the parody cards infringed on MLBPA's right of publicity and that, under either a trademark balancing test or a copyright fair use test, Cardtoons did not have a First Amendment right to market its cards without a license from MLBPA. The district court initially adopted the magistrate's Report and Recommendation, *Cardtoons, L.C. v. Major League Baseball Players Association,* 838 F.Supp. 1501 (N.D.Okla. 1993), but subsequently vacated that decision and issued *Cartoons, L.C. v. Major League Baseball Players Association,* 868 F.Supp. 1266 (N.D.Okla.1994). In its second opinion, the court wholly rejected application of a trademark balancing test to the right of publicity, and instead applied a copyright fair use analysis. Unlike the magistrate, however, the court held that a fair use analysis requires recognition of a parody exception to the Oklahoma publicity rights statute, and issued a declaratory judgment in favor of Cardtoons. This appeal followed.

II. Jurisdiction

MLBPA contends that the district court lacked jurisdiction over this case because there is no federal question, and because the suit does not involve a case or controversy. Whether this lawsuit involves a federal question, and whether a case or controversy exists, are separate inquiries. We turn to these questions below.

A. Federal Question Jurisdiction

MLBPA first contends that the district court lacked federal subject matter jurisdiction over this case. We review this threshold question de novo. *United States ex rel. General Rock & Sand Corp. v. Chuska Dev. Corp.*, 55 F.3d 1491, 1492 (10th Cir.1995). The Declaratory Judgment Act does not confer jurisdiction upon federal courts, *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 671, 70 S.Ct. 876, 878-79, 94 L.Ed. 1194 (1950); *Chandler v. O'Bryan*, 445 F.2d 1045, 1054 (10th Cir.1971), *cert. denied*, 405 U.S. 964, 92 S.Ct. 1176, 31 L.Ed.2d 241 (1972), so the power to issue declaratory judgments must lie in some independent basis of jurisdiction. Here, in the absence of any pleading that invokes diversity jurisdiction, the relevant basis is federal question jurisdiction under 28 U.S.C. § 1331.

District courts have original federal question jurisdiction over complaints that contain a claim that arises under federal law. 28 U.S.C. § 1331. In actions for declaratory judgment, however, the position of the parties is often reversed: the plaintiff asserts a defense to an anticipated action by the declaratory judgment defendant. It is the character of the impending action, not the plaintiff's defense, that determines whether there is federal question jurisdiction. *Public Serv. Comm'n v. Wycoff Co.*, 344 U.S. 237, 248, 73 S.Ct. 236, 242, 97 L.Ed. 291 (1952). Thus, federal question jurisdiction exists in a declaratory judgment action if the potential suit by the declaratory judgment defendant would arise under federal law. *Mobil Oil Corp. v. City of Long Beach*, 772 F.2d 534, 539-40 (9th Cir.1985); *see Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 19 & n. 19, 103 S.Ct. 2841, 2851 & n. 19, 77 L.Ed.2d 420 (1983).

Accordingly, federal question jurisdiction in this case turns on whether there would be federal question jurisdiction over the well-pleaded complaint that MLBPA may bring against Cardtoons. The federal cause of action at issue here is a claim

under section 43(a)(1) of the Lanham Act, which provides civil liability for any person who uses any "word, term, name, symbol, or device" in connection with goods or services that is likely to cause confusion "as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a)(1). We evaluate the adequacy of the MLBPA's federal claim by the same standard that we would use to evaluate federal question jurisdiction if that claim were actually before us. *See Janakes v. United States Postal Serv.*, 768 F.2d 1091, 1093-95 (9th Cir.1985). Dismissal of a complaint for lack of subject matter jurisdiction would only be justified if "that claim were 'so attenuated and unsubstantial as to be absolutely devoid of merit' or 'frivolous.' " *Baker v. Carr*, 369 U.S. 186, 199, 82 S.Ct. 691, 701, 7 L.Ed.2d 663 (1962) (citations omitted). This case clearly survives that test: MLBPA could have brought a nonfrivolous Lanham Act claim against Cardtoons alleging that Cardtoons' use of the names and likenesses of major league baseball players on its cards was likely to cause confusion as to the association of MLBPA with Cardtoons or as to MLBPA's approval of the cards. Because MLBPA could have brought a federal Lanham Act claim as part of a well-pleaded complaint against Cardtoons, the district court had federal question jurisdiction over this declaratory judgment action.

Cardtoons maintains, and the district court agreed, that the court also had jurisdiction over this action because it involves substantial First Amendment questions. This assertion is incorrect. It is well settled that we look to the nature of the anticipated claims of the declaratory judgment defendant, not the anticipated defenses by the declaratory judgment plaintiff, to determine the presence of a federal question. *Wycoff*, 344 U.S. at 248, 73 S.Ct. at 242-43. " '[I]f, but for the availability of the declaratory judgment procedure, the federal claim

would arise only as a defense to a state created action, jurisdiction is lacking.' " *Franchise Tax Bd.*, 463 U.S. at 16, 103 S.Ct. at 2850 (quoting 10A Charles A. Wright, Arthur R. Miller & Mary Kay Kane, *Federal Practice and Procedure* § 2767, at 744-45 (2d ed. 1983)). In this case, the First Amendment arises only as a potential *defense* to MLBPA's claimed right: MLBPA could neither bring an action based on the First Amendment nor assert a well-pleaded state claim that necessarily involved a First Amendment question. Thus, we cannot ground our jurisdiction on this basis because "the First Amendment as a defense does not constitute a basis for federal jurisdiction, for it is fundamental that anticipation of a defense cannot confer jurisdiction." *Monks v. Hetherington*, 573 F.2d 1164, 1166 (10th Cir.1978).

B. The Controversy Requirement

MLBPA further contends that this suit does not involve a case or controversy. We review this issue de novo. *Federal Express Corp. v. Air Line Pilots Ass'n*, 67 F.3d 961, 964 (D.C.Cir.1995); *see New Mexico Env't Dep't v. Foulston*, 4 F.3d 887, 888-89 (10th Cir.1993), *cert. denied*, —— U.S. ——, 114 S.Ct. 1372, 128 L.Ed.2d 48 (1994). Federal courts may only decide cases or controversies, U.S. Const. art. III, § 2, a requirement that is no less strict in an action for a declaratory judgment than in any other type of suit, *Altvater v. Freeman*, 319 U.S. 359, 363, 63 S.Ct. 1115, 1117-18, 87 L.Ed. 1450 (1943). Indeed, the requirement is reflected in the Declaratory Judgment Act, which limits application of the remedy to cases of "actual controversy." 28 U.S.C. § 2201(a).

In order to satisfy this threshold requirement, there must be "a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts." *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241, 57 S.Ct. 461, 464, 81 L.Ed. 617 (1937).

In an intellectual property case, an actual controversy exists when (1) the declaratory plaintiff has produced or is prepared to produce the product in question and (2) the declaratory defendant's conduct has created a reasonable apprehension on the part of the declaratory plaintiff that it will face suit if it commences or continues the activity at issue. *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 634 (Fed.Cir.) (pat ent), *cert. denied*, 502 U.S. 1013, 112 S.Ct. 658, 116 L.Ed.2d 749 (1991); *Texas v. West Publishing Co.*, 882 F.2d 171, 175 (5th Cir.1989) (copyright), *cert. denied*, 493 U.S. 1058, 110 S.Ct. 869, 107 L.Ed.2d 953 (1990); *Indium Corp. v. Semi-Alloys, Inc.*, 781 F.2d 879, 883 (Fed.Cir.1985) (trademark), *cert. denied*, 479 U.S. 820, 107 S.Ct. 84, 93 L.Ed.2d 37 (1986). The declaratory plaintiff bears the burden of establishing the existence of a controversy by a preponderance of the evidence. *Texas v. West Publishing Co.*, 882 F.2d 171, 175 (5th Cir.1989), *cert. denied*, 493 U.S. 1058, 110 S.Ct. 869, 107 L.Ed.2d 953 (1990).

Cardtoons has carried its burden by establishing both elements of the case or controversy test. The first element is satisfied because Cardtoons had completed all work in preparation for production of the cards when it filed its declaratory judgment complaint. The second element is satisfied by MLBPA's cease and desist letter in which it threatened to pursue its "full legal remedies" if Cardtoons did not immediately stop production and sale of the cards. That letter, along with MLBPA's history of suing other card companies in similar situations, *e.g.*, *Major League Baseball Players Ass'n v. Dad's Kid Corp.*, 806 F.Supp. 458 (S.D.N.Y. 1992), created a reasonable apprehension on the part of Cardtoons of impending litigation.

MLBPA argues that Cardtoons could not have reasonably feared a *federal* claim because MLBPA never explicitly threatened to bring a Lanham Act claim. As discussed above, whether MLBPA's potential suit could contain a federal

claim is pivotal to our federal question jurisdiction. Whether MLBPA threatened to bring a federal claim, however, is immaterial to the controversy requirement, which is satisfied so long as MLBPA's conduct created a reasonable apprehension on the part of Cardtoons of the imminence of suit, with state or federal claims, upon publication. In any event, Cardtoons was reasonably apprehensive of a suit containing a federal claim given MLBPA's threat of pursuing its "*full* legal remedies" and its previous use of the Lanham Act in similar cases. Thus, the dispute between Cardtoons and MLBPA satisfies the case or controversy requirement.

III. The Merits

Cardtoons asks for a declaration that it can distribute its parody trading cards without the consent of MLBPA. There are three steps to our analysis of this issue. First, we determine whether the cards infringe upon MLBPA's property rights as established by either the Lanham Act or Oklahoma's right of publicity statute. If so, we then ascertain whether the cards are protected by the First Amendment. Finally, if both parties have cognizable rights at stake, we proceed to a final determination of the relative importance of those rights in the context of this case.

A. MLBPA's Property Rights

1. The Lanham Act

We begin by determining whether the cards violate MLBPA's property rights under the Lanham Act. Section 43(a)(1) of the Lanham Act, 15 U.S.C. § 1125(a)(1), creates a federal remedy for false representations or false designations of origin used in connection with the sale of a product. The statute provides civil liability for:

> (a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in

> commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, ...

The hallmark of a Lanham Act suit is proof of the likelihood of confusion, which occurs "when consumers make an incorrect mental association between the involved commercial products or their producers." *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 564, 107 S.Ct. 2971, 2995, 97 L.Ed.2d 427 (1987) (Brennan, J., dissenting), *quoted with approval in Jordache Enters., Inc. v. Hogg Wyld Ltd.*, 828 F.2d 1482, 1484 (10th Cir.1987).

Likelihood of confusion is a question of fact that we review for clear error. *Jordache*, 828 F.2d at 1484. The district court found that Cardtoons' parody cards created no likelihood of confusion. We agree that no one would mistake MLBPA and its members as anything other than the targets of the parody cards. Most of the cards have a Cardtoons logo and a statement that they are not licensed by MLBPA. In addition, as with all successful parodies, the effect of the cards is to amuse rather than confuse. "A parody relies upon a *difference* from the original mark, presumably a humorous difference, in order to produce its desired effect." *Id.* at 1486 (emphasis added). Cardtoons' success depends upon the humorous association of its parody cards with traditional, licensed baseball cards, not upon public confusion as to the source of the cards. The district court's decision that the parody cards do not create a likelihood of confusion is not clearly

erroneous, and thus the cards do not infringe upon MLBPA's property rights under the Lanham Act.

2. The Right of Publicity

The right of publicity is the right of a person to control the commercial use of his or her identity. 1 J. Thomas McCarthy, *The Rights of Publicity and Privacy* § 1.1[A][1] (1996); *see Restatement (Third) of Unfair Competition* § 46 (1995). While the right was originally intertwined with the right of privacy, courts soon came to recognize a distinction between the personal right to be left alone and the business right to control use of one's identity in commerce. *McCarthy, supra*, §§ 1.1-1.6; Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 Cal.L.Rev. 127, 167-78 (1993). The latter was first acknowledged as a distinct privilege and termed the "right of publicity" in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir.), *cert. denied*, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953). *Haelan Laboratories,* appropriately enough, involved two rival chewing gum manufacturers who were arguing over exclusive rights to use the image of a professional baseball player to promote their product. In resolving the dispute, the court concluded that "a man has a right in the publicity value of his photograph." *Id.* at 868. The court explained:

> This right might be called a "right of publicity." For it is common knowledge that many prominent persons (especially actors and ballplayers), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways. This right of publicity would usually yield them no money unless it

> could be made the subject of an exclusive grant which barred any other advertiser from using their pictures.

Id. The development of this new intellectual property right was further cultivated by Melville Nimmer in his seminal article *The Right of Publicity,* 19 Law & Contemp. Probs. 203 (1954). Nimmer, who was counsel for Paramount Pictures at the time, Madow, *supra,* at 174 n. 238, referred to "the needs of Broadway and Hollywood" in describing the foundations and parameters of the right, Nimmer, *supra,* at 203. The right of publicity is now recognized by common law or statute in twenty-five states. McCarthy, *supra,* § 6.1[B].

Like trademark and copyright, the right of publicity involves a cognizable property interest. *Zacchini v. Scripps-Howard Broadcasting Co.,* 433 U.S. 562, 573, 97 S.Ct. 2849, 2856, 53 L.Ed.2d 965 (1977); *Restatement (Third) of Unfair Competition* § 46 cmt. g. Most formulations of the right protect against the unauthorized use of certain features of a person's identity—such as name, likeness, or voice—for commercial purposes. *See* McCarthy, *supra,* §§ 4.9-4.15. Although publicity rights are related to laws preventing false endorsement, they offer substantially broader protection. Suppose, for example, that a company, Mitchell Fruit, wanted to use pop singer Madonna in an advertising campaign to sell bananas, but Madonna never ate its fruit and would not agree to endorse its products. If Mitchell Fruit posted a billboard featuring a picture of Madonna and the phrase, "Madonna may have ten platinum albums, but she's never had a Mitchell banana," Madonna would not have a claim for false endorsement. She would, however, have a publicity rights claim, because Mitchell Fruit misappropriated her name and likeness for commercial purposes. Publicity rights, then, are a form of property protection that allows people to profit from the full commercial value of their identities.

Oklahoma first recognized the right of publicity as early as 1965, but expanded the right in a 1985 statute that is virtually

identical to California's right of publicity statute, Cal. Civ.Code §§ 990 and 3344. The heart of the Oklahoma statute provides that:

> Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods, or services, without such persons prior consent, . . . shall be liable for any damages sustained by the person or persons injured as a result thereof, and any profits from the unauthorized use that are attributable to the use shall be taken into account in computing the actual damages.

Okla.Stat. tit. 12, § 1449(A). Thus, a civil suit for infringement of MLBPA's publicity right under § 1449(A) requires proof of three elements: (1) knowing use of player names or likenesses (2) on products, merchandise, or goods (3) without MLBPA's prior consent. If MLBPA proves these three elements, then the burden shifts to Cardtoons to raise a valid defense.

There is little question that Cardtoons knowingly uses the names and likenesses of major league baseball players. This is evident from an examination of the cards and the testimony of the president of Cardtoons, who conceded that the cards borrow the likenesses of active players. Indeed, the caricatures are only humorous because they, along with the parodied name, team, and commentary, are accurate enough to allow identification of the players being parodied. The second and third elements of the statute are also satisfied. The cards are clearly a product, designed to be widely marketed and sold for profit. In addition, the parties have stipulated that MLBPA has not consented to Cardtoons' use of player likenesses. Cardtoons' parody cards, then, do infringe upon MLBPA's publicity right as defined in § 1449(A).

The Oklahoma publicity statute contains two exceptions designed to accommodate the First Amendment. The first, a "news" exception, exempts use of a person's identity in connection with any news, public affairs, or sports broadcast or account, or any political campaign, from the dictates of the statute. Okla. stat. tit. 12, § 1449(D). The second exception, roughly analogous to the First Amendment concept of "incidental use," exempts use in a commercial medium that is not directly connected with commercial sponsorship or paid advertising. Okla. stat. tit. 12, § 1449(F). The news and incidental use exceptions, however, provide no haven for Cardtoons. Cardtoons' commercial venture is not in connection with any news account. Moreover, the company's use of player likenesses is directly connected with a proposed commercial endeavor; indeed, the players were specifically selected for their wide market appeal. Thus, notwithstanding any First Amendment defense, Cardtoons' use of player likenesses on its cards violates the Oklahoma statute and infringes upon the property rights of MLBPA.

B. Cardtoons' First Amendment Right

Because the parody trading cards infringe upon MLBPA's property rights, we must consider whether Cardtoons has a countervailing First Amendment right to publish the cards. The First Amendment only protects speech from regulation by the government. Although this is a civil action between private parties, it involves application of a state statute that Cardtoons claims imposes restrictions on its right of free expression. Application of that statute thus satisfies the state action requirement of Cardtoons' First Amendment claim. *See New York Times Co. v. Sullivan*, 376 U.S. 254, 265, 84 S.Ct. 710, 718, 11 L.Ed.2d 686 (1964).

Cardtoons' parody trading cards receive full protection under the First Amendment. The cards provide social commentary on public figures, major league baseball players,

who are involved in a significant commercial enterprise, major league baseball. While not core political speech (the cards do not, for example, adopt a position on the Ken Griffey, Jr., for President campaign), this type of commentary on an important social institution constitutes protected expression.

The cards are no less protected because they provide humorous rather than serious commentary. Speech that entertains, like speech that informs, is protected by the First Amendment because "[t]he line between the informing and the entertaining is too elusive for the protection of that basic right." *Winters v. New York,* 333 U.S. 507, 510, 68 S.Ct. 665, 667, 92 L.Ed. 840 (1948); *see Zacchini,* 433 U.S. 562, 578, 97 S.Ct. 2849, 2859, 53 L.Ed.2d 965. Moreover, Cardtoons makes use of artistic and literary devices with distinguished traditions. Parody, for example, is a humorous form of social commentary that dates to Greek antiquity, and has since made regular appearances in English literature. *See L.L. Bean, Inc. v. Drake Publishers, Inc.,* 811 F.2d 26, 28 (1st Cir.), *appeal dismissed and cert. denied,* 483 U.S. 1013, 107 S.Ct. 3254, 97 L.Ed.2d 753 (1987). In addition, cartoons and caricatures, such as those in the trading cards, have played a prominent role in public and political debate throughout our nation's history. *See Hustler Magazine v. Falwell,* 485 U.S. 46, 53-55, 108 S.Ct. 876, 880-82, 99 L.Ed.2d 41 (1983). Thus, the trading cards' commentary on these public figures and the major commercial enterprise in which they work receives no less protection because the cards are amusing.

MLBPA contends that Cardtoons' speech receives less protection because it fails to use a traditional medium of expression. The protections afforded by the First Amendment, however, have never been limited to newspapers and books. The Supreme Court has relied on the First Amendment to strike down ordinances that ban the distribution of pamphlets, *Lovell v. Griffin,* 303 U.S. 444,

451-52, 58 S.Ct. 666, 668-69, 82 L.Ed. 949 (1938), the circulation of handbills, *Jamison v. Texas,* 318 U.S. 413, 416, 63 S.Ct. 669, 671-72, 87 L.Ed. 869 (1943), and the display of yard signs, *City of Ladue v. Gilleo,* 512 U.S. 43, —— - ——, 114 S.Ct. 2038, 2044-47, 129 L.Ed.2d 36 (1994). Moreover, many untraditional forms of expression are also protected by the First Amendment. *See, e.g., Texas v. Johnson,* 491 U.S. 397, 109 S.Ct. 2533, 105 L.Ed.2d 342 (1989) (flag burning); *Schad v. Mount Ephraim,* 452 U.S. 61, 101 S.Ct. 2176, 68 L.Ed.2d 671 (1981) (nude dancing); *Cohen v. California,* 403 U.S. 15, 91 S.Ct. 1780, 29 L.Ed.2d 284 (1971) (wearing a jacket bearing the words "Fuck the Draft"). Thus, even if the trading cards are not a traditional medium of expression, they nonetheless contain protected speech.

Moreover, even if less common mediums of expression were to receive less First Amendment protection (perhaps out of concern for whether they contain any expression at all), trading cards do not fall into that category. Baseball cards have been an important means of informing the public about baseball players for over a century. "Trading, collecting and learning about players are the most common reasons for children to purchase baseball cards. . . . They are, in other words, an education in baseball." *Fleer Corp. v. Topps Chewing Gum, Inc.,* 501 F.Supp. 485, 495-96 (E.D.Pa.1980), *rev'd on other grounds,* 658 F.2d 139 (3d Cir.1981), *cert. denied,* 455 U.S. 1019, 102 S.Ct. 1715, 72 L.Ed.2d 137 (1982). In addition, non-sports trading cards have also been an important medium for disseminating information. Some recent examples feature topics such as saints, Norman Rockwell paintings, presidential candidates, the rise and fall of the Soviet Union, local police officers, and Rodney King. All of these trading cards, regardless of their topic, convey information about their subject and therefore constitute an important means of expression that deserves First Amendment protection.

MLBPA also maintains that the parody trading cards are commercial merchandise rather than protected speech. However, we see no principled distinction between speech and merchandise that informs our First Amendment analysis. The fact that expressive materials are sold neither renders the speech unprotected, *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 761, 96 S.Ct. 1817, 1825, 48 L.Ed.2d 346 (1976), nor alters the level of protection under the First Amendment, *Lakewood v. Plain Dealer Publishing Co.*, 486 U.S. 750, 756 n. 5, 108 S.Ct. 2138, 2143 n. 5, 100 L.Ed.2d 771 (1988). Cardtoons need not give away its trading cards in order to bring them within the ambit of the First Amendment. *See Lakewood*, 486 U.S. at 756 n. 5, 108 S.Ct. at 2143 n. 5.

MLBPA further argues that the parody cards are commercial speech and should therefore receive less protection under the First Amendment. The Supreme Court has defined commercial speech as "expression related solely to the economic interests of the speaker and its audience." *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 561, 100 S.Ct. 2343, 2349, 65 L.Ed.2d 341 (1980). Speech that does no more than propose a commercial transaction, for example, is commercial speech. *See Virginia State Bd. of Pharmacy*, 425 U.S. at 762, 96 S.Ct. at 1825. Thus, commercial speech is best understood as speech that merely advertises a product or service for business purposes, *see 44 Liquormart, Inc. v. Rhode Island*, —— U.S. ——, ——, 116 S.Ct. 1495, 1504, 134 L.Ed.2d 711 (1996) (plurality opinion) (outlining a brief history of commercial speech that is, essentially, a history of advertising). As such, commercial speech may receive something less than the strict review afforded other types of speech. *Id.* at ——, 116 S.Ct. at 1507.

Cardtoons' trading cards, however, are not commercial speech—they do not merely advertise another unrelated

product. Although the cards are sold in the market place, they are not transformed into commercial speech merely because they are sold for profit. *Virginia State Bd. of Pharmacy,* 425 U.S. at 761, 96 S.Ct. at 1825. Contrary to MLBPA's argument, therefore, the cards are unlike the parody in the only other circuit court decision addressing the constitutional tensions inherent in a celebrity parody, *White v. Samsung Electronics America, Inc.,* 971 F.2d 1395 (9th Cir.), *cert. denied,* 508 U.S. 951, 113 S.Ct. 2443, 124 L.Ed.2d 660 (1992). In that case, defendant Samsung published an advertisement featuring a costumed robot that parodied Vanna White, the letter-turner on television's Wheel of Fortune, and White sued for violation of her right of publicity. The court noted that in cases of noncommercial parodies, "the first amendment hurdle will bar most right of publicity actions against those activities." *Id.* at 1401 n. 3. However, without engaging in a methodical commercial speech analysis of Samsung's First Amendment defense, the court ruled that White's claim was sufficient to withstand Samsung's motion for summary judgment. We disagree with the result in that case for reasons discussed in the two dissents that it engendered. *Id.* at 1407-08 (Alarcón, J., concurring in part and dissenting in part); *White v. Samsung Elecs. Am., Inc.,* 989 F.2d 1512, 1512-23 (9th Cir.1993) (denial of rehearing en banc) (Kozinski, J., dissenting). Moreover, our case is distinguished by the fact that the speech involved is not commercial, but rather speech subject to full First Amendment protection. *White,* therefore, is inapposite, and we must directly confront the central problem in this case: whether Cardtoons' First Amendment right trumps MLBPA's property right.

C. Balancing Free Speech Rights with Property Rights

In resolving the tension between the First Amendment and publicity rights in this case, we find little guidance in cases involving parodies of other forms of intellectual property.

Trademark and copyright, for example, have built-in mechanisms that serve to avoid First Amendment concerns of this kind. As discussed above, proof of trademark infringement under the Lanham Act requires proof of a likelihood of confusion, but, in the case of a good trademark parody, there is little likelihood of confusion, since the humor lies in the difference between the original and the parody. The Copyright Act of 1976 contains a similar mechanism, the fair use exception, which permits the use of copyrighted materials for purposes such as criticism and comment. 17 U.S.C. § 107; *see Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 114 S.Ct. 1164, 127 L.Ed.2d 500 (1994) (applying the fair use exception to parody). Oklahoma's right of publicity statute, however, does not provide a similar accommodation for parody, and we must therefore confront the First Amendment issue directly.

MLBPA urges us to adopt the framework established in *Lloyd Corp. v. Tanner*, 407 U.S. 551, 92 S.Ct. 2219, 33 L.Ed.2d 131 (1972), in order to reconcile the free speech and property rights at stake in this case. The issue in *Lloyd* was whether a private shopping center could prevent the distribution of handbills on its premises. The Court focused on the availability of "adequate alternative avenues of communication":

> It would be an unwarranted infringement of property rights to require [the shopping center] to yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist. Such an accommodation would diminish property rights without significantly enhancing the asserted right of free speech.

Id. at 567, 92 S.Ct. at 2228. The Court held that the First Amendment did not require the shopping center to allow distribution of the handbills because the public sidewalks and streets surrounding the center provided an adequate

alternative avenue of communication. *Id.* at 567-68, 92 S.Ct. at 2228-29. This type of analysis, usually applied to time, place, and manner restrictions, has also been applied in several cases where intellectual property rights have conflicted with the right to free expression. *E.g., Mutual of Omaha Ins. Co. v. Novak;* 836 F.2d 397, 402-03 (8th Cir.1987) (holding that "Mutant of Omaha," a parody of Mutual of Omaha's logo, constitutes trademark infringement); *cert. denied,* 488 U.S. 933, 109 S.Ct. 326, 102 L.Ed.2d 344 (1988); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.,* 604 F.2d 200, 206 (2d Cir.1979) (holding that the use of Dallas Cowboy Cheerleader uniforms in the film *Debbie Does Dallas* constitutes trademark infringement).

MLBPA argues that application of the *Lloyd* analysis requires protection of its proprietary right of publicity. First, MLBPA maintains that there are many ways that Cardtoons could parody the institution of baseball that would not require use of player names and likenesses. Cardtoons could, for example, use generic images of baseball players to poke fun at the game. Second, MLBPA contends that Cardtoons could use recognizable players in a format other than trading cards, such as a newspaper or magazine, without infringing on its right of publicity. MLBPA argues that these alternative means of communication are adequate and, therefore, that we may uphold its property rights without seriously infringing upon Cardtoons' right to free expression.

We find, however, that in the context of intellectual property, *Lloyd's* "no adequate alternative avenues" test does not sufficiently accommodate the public's interest in free expression. *See Rogers v. Grimaldi,* 875 F.2d 994, 999 (2d Cir.1989); *Mutual of Omaha Ins. Co.,* 836 F.2d at 405-06 (Heaney, J., dissenting). Intellectual property, unlike real estate, includes the words, images, and sounds that we use to communicate, and "we cannot indulge in the facile

assumption that one can forbid particular words without also running a substantial risk of suppressing ideas in the process," *Cohen*, 403 U.S. at 26, 91 S.Ct. at 1788; *see San Francisco Arts & Athletics*, 483 U.S. at 569-70, 107 S.Ct. at 2998-99 (Brennan, J., dissenting). Restrictions on the words or images that may be used by a speaker, therefore, are quite different than restrictions on the time, place, or manner of speech. *Rogers*, 875 F.2d at 999; *see* Robert Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wisc. L.Rev. 158, 206.

In this case, Cardtoons' expression requires use of player identities because, in addition to parodying the institution of baseball, the cards also lampoon individual players. Further, Cardtoons' use of the trading card format is an essential component of the parody because baseball cards have traditionally been used to celebrate baseball players and their accomplishments. Cardtoons expresses ideas through the use of major league baseball player identities, and MLBPA's attempts to enjoin the parody thus goes to the content of the speech, not merely its time, place, or manner. For that reason, the *Lloyd* test is inapplicable in this case.

This case instead requires us to directly balance the magnitude of the speech restriction against the asserted governmental interest in protecting the intellectual property right. We thus begin our analysis by examining the importance of Cardtoons' right to free expression and the consequences of limiting that right. We then weigh those consequences against the effect of infringing on MLBPA's right of publicity.

1. The Effect of Infringing Upon Cardtoons' Right to Free Speech

Cardtoons' interest in publishing its parody trading cards implicates some of the core concerns of the First Amendment.

"Parodies and caricatures," noted Aldous Huxley, "are the most penetrating of criticisms." *Point Counter Point,* ch. 13 (1928); *see Hustler Magazine,* 485 U.S. at 53-55, 108 S.Ct. at 880-82. A parodist can, with deft and wit, readily expose the foolish and absurd in society. Parody is also a valuable form of self-expression that allows artists to shed light on earlier works and, at the same time, create new ones. Thus, parody, both as social criticism and a means of self-expression, is a vital commodity in the marketplace of ideas.

Parodies of celebrities are an especially valuable means of expression because of the role celebrities play in modern society. As one commentator explained, celebrities are "common points of reference for millions of individuals who may never interact with one another, but who share, by virtue of their participation in a mediated culture, a common experience and a collective memory." John B. Thompson, *Ideology and Modern Culture: Critical Social Theory in the Era of Mass Communication* 163 (1990). Through their pervasive presence in the media, sports and entertainment celebrities come to symbolize certain ideas and values. Commentator Michael Madow gives the following example:

> In December 1990, . . . shortly before the outbreak of the Gulf War, a story circulated in Washington that President Bush had boasted to a congressional delegation that Saddam Hussein was "going to get his ass kicked." When reporters pressed Bush to confirm the statement, he did not answer directly. Instead, he hitched up his pants in the manner of John Wayne. Everyone got the point.

Madow, *supra,* at 128 (footnotes omitted). Celebrities, then, are an important element of the shared communicative resources of our cultural domain.

Because celebrities are an important part of our public vocabulary, a parody of a celebrity does not merely lampoon

the celebrity, but exposes the weakness of the idea or value that the celebrity symbolizes in society. Cardtoons' trading cards, for example, comment on the state of major league baseball by turning images of our sports heroes into modern-day personifications of avarice. In order to effectively criticize society, parodists need access to images that mean something to people, and thus celebrity parodies are a valuable communicative resource. Restricting the use of celebrity identities restricts the communication of ideas.

Without First Amendment protection, Cardtoons' trading cards and their irreverent commentary on the national pastime cannot be freely distributed to the public. Instead, as required by Oklahoma law, the production and distribution of the cards would be subject to MLBPA's consent. The problem with this scheme, as the Supreme Court noted in the context of copyright parody, is that "the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market." *Campbell,* 510 U.S. at ——, 114 S.Ct. at 1178. The potential for suppression is even greater in the context of publicity rights because the product involved is the celebrity's own persona. Indeed, the director of licensing for MLBPA testified that MLBPA would never license a parody which poked fun at the players. Thus, elevating the right of publicity above the right to free expression would likely prevent distribution of the parody trading cards. This would not only allow MLBPA to censor criticism of its members, but would also have a chilling effect upon future celebrity parodies. Such a result is clearly undesirable, for "[t]he last thing we need, the last thing the First Amendment will tolerate, is a law that lets public figures keep people from mocking them." *White,* 989 F.2d at 1519 (Kozinski, J., dissenting).

2. The Effect of Infringing Upon MLBPA's Right of Publicity

We now turn to an evaluation of society's interest in protecting MLBPA's publicity right. The justifications offered for the right of publicity fall into two categories, economic and noneconomic. The right is thought to further economic goals such as stimulating athletic and artistic achievement, promoting the efficient allocation of resources, and protecting consumers. In addition, the right of publicity is said to protect various noneconomic interests, such as safeguarding natural rights, securing the fruits of celebrity labors, preventing unjust enrichment, and averting emotional harm. We examine the applicability of each of these justifications to the facts of this case.

The principal economic argument made in support of the right of publicity is that it provides an incentive for creativity and achievement. *See, e.g., Zacchini,* 433 U.S. at 576-77, 97 S.Ct. at 2857-58; *Carson v. Here's Johnny Portable Toilets, Inc.,* 698 F.2d 831, 837 (6th Cir.1983). Under this view, publicity rights induce people to expend the time, effort, and resources to develop the talents prerequisite to public recognition. While those talents provide immediate benefit to those with commercially valuable identities, the products of their enterprise—such as movies, songs, and sporting events—ultimately benefit society as a whole. Thus, it is argued, society has an interest in a right of publicity that is closely analogous to its interest in other intellectual property protections such as copyright and patent law. *Zacchini,* 433 U.S. at 576, 97 S.Ct. at 2857.

This incentives argument is certainly a compelling justification for other forms of intellectual property. Copyright law, for example, protects the primary, if not only, source of a writer's income, and thus provides a significant incentive for creativity and achievement. The incentive effect of publicity rights, however, has been overstated. Most sports

and entertainment celebrities with commercially valuable identities engage in activities that themselves generate a significant amount of income; the commercial value of their identities is merely a by-product of their performance values. *See Restatement (Third) of Unfair Competition* § 46 cmt. c. Although no one pays to watch Cormac McCarthy write a novel, many people pay a lot of money to watch Demi Moore "act" and Michael Jordan play basketball. Thus, the analogy to the incentive effect of other intellectual property protections is strained because "[a]bolition of the right of publicity would leave entirely unimpaired a celebrity's ability to earn a living from the activities that have generated his commercially marketable fame." Madow, *supra*, at 209.

This distinction between the value of a person's identity and the value of his performance explains why *Zacchini v. Scripps-Howard Broadcasting Corp.*, 433 U.S. 562, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977), the Supreme Court's sole case involving a right of publicity claim, is a red herring. Hugo Zacchini, a performer in a human cannonball act, brought an action against a television station to recover damages he suffered when the station videotaped and broadcast his entire performance. The Supreme Court held that the First Amendment did not give the station the right to broadcast Zacchini's entire act in contravention of his state protected right of publicity. *Id.* at 574-75, 97 S.Ct. at 2856-57. Zacchini, however, complained of the appropriation of the economic value of his *performance*, not the economic value of his *identity*. The Court's incentive rationale is obviously more compelling in a right of performance case than in a more typical right of publicity case involving the appropriation of a celebrity's identity. *See Restatement (Third) of Unfair Competition* § 46 reporters' note cmt. c.

Moreover, the additional inducement for achievement produced by publicity rights are often inconsequential because most celebrities with valuable commercial identities

are already handsomely compensated. Actor Jim Carrey, for example, received twenty million dollars for starring in the movie *The Cable Guy, see* Bernard Weinraub, *How a Sure Summer Hit Missed,* N.Y. Times, June 27, 1996, at C11, and major league baseball players' salaries currently average over one million dollars per year, *see* Bill Brashler, *Booooooooooooooo! Let's Hear It for Pampered, Preening, Overpaid Whiners: The Jocks,* Chi.Trib., July 28, 1996, (Magazine), at 12. Such figures suggest that "even without the right of publicity the rate of return to stardom in the entertainment and sports fields is probably high enough to bring forth a more than 'adequate' supply of creative effort and achievement." Madow, *supra,* at 210. In addition, even in the absence of publicity rights, celebrities would still be able to reap financial reward from authorized appearances and endorsements. The extra income generated by licensing one's identity does not provide a necessary inducement to enter and achieve in the realm of sports and entertainment. Thus, while publicity rights may provide some incentive for creativity and achievement, the magnitude and importance of that incentive has been exaggerated.

The argument that publicity rights provide valuable incentives is even less compelling in the context of celebrity parodies. Since celebrities will seldom give permission for their identities to be parodied, granting them control over the parodic use of their identities would not directly provide them with any additional income. It would, instead, only allow them to shield themselves from ridicule and criticism. The only economic incentive gained by having control over the use of one's identity in parody is control over the potential effect the parody would have on the market for nonparodic use of one's identity. MLBPA claims, for example, that publication of the parody cards will decrease demand for traditional baseball cards because Cardtoons and other makers of parody trading cards would compete with manufacturers of licensed cards in the same limited trading

card market. Parody, however, rarely acts as a market substitute for the original, *Campbell,* 510 U.S. at ——— - ———, 114 S.Ct. at 1177-78, and there is no evidence in this record that convinces us otherwise. Even if there is some substitutive effect, and card collectors with limited resources decide to buy parody cards instead of traditional, licensed cards, the small amount of additional income generated by suppressing parody cards will have little, if any, effect on the incentive to become a major league baseball player.

The incentives argument would be even more tenuous, indeed perverse, if good-humored celebrities were to license use of their identities for parody. The right of publicity would then provide an incentive to engage in the socially undesirable behavior that might give rise to a reason to parody. Although part of any parody's market appeal depends upon the prominence of the celebrity, the critical element of the parody's value hinges on the accuracy of the caricature or criticism. Society does not have a significant interest in allowing a celebrity to protect the type of reputation that gives rise to parody.

We recognize that publicity rights do provide some incentive to achieve in the fields of sports and entertainment. However, the inducements generated by publicity rights are not nearly as important as those created by copyright and patent law, and the small incentive effect of publicity rights is reduced or eliminated in the context of celebrity parodies. In sum, it is unlikely that little leaguers will stop dreaming of the big leagues or major leaguers will start "dogging it" to first base if MLBPA is denied the right to control the use of its members' identities in parody.

The second economic justification for the right of publicity is that it promotes the efficient allocation of resources, a version of the familiar tragedy of the commons argument used to prove the superiority of private property over common property. *See, e.g., Matthews v. Wozencraft,* 15 F.3d

432, 437-38 (5th Cir.1994). Without the artificial scarcity created by publicity rights, identities would be commercially exploited until the marginal value of each use is zero. *Id.* "Creating artificial scarcity preserves the value to [the celebrity], to advertisers who contract for the use of his likeness, and in the end, to consumers, who receive information from the knowledge that he is being paid to endorse the product." *Id.* at 438. Giving people control of the commercial use of their identities, according to this analysis, maximizes the economic and informational value of those identities.

This efficiency argument is most persuasive in the context of advertising, where repeated use of a celebrity's likeness to sell products may eventually diminish its commercial value. The argument is not as persuasive, however, when applied to nonadvertising uses. It is not clear, for example, that the frequent appearance of a celebrity's likeness on t-shirts and coffee mugs will reduce its value; indeed, the value of the likeness may increase precisely because "everybody's got one." Madow, *supra,* at 222. Further, celebrities with control over the parodic use of their identities would not use the power to "ration the use of their names in order to maximize their value over time," *Matthews,* 15 F.3d at 438 n. 2. They would instead use that power to suppress criticism, and thus permanently remove a valuable source of information about their identity from the marketplace.

The final economic argument offered for rights of publicity is that they protect against consumer deception. *See, e.g., Restatement (Third) of Unfair Competition* § 46 cmt. c; McCarthy, *supra,* § 2.4; Peter L. Felcher & Edward L. Rubin, *Privacy, Publicity, and the Portrayal of Real People by the Media,* 88 Yale L.J. 1577, 1600 (1979). The Lanham Act, however, already provides nationwide protection against false or misleading representations in connection with the sale of products. Moreover, as discussed above, the use of celebrity

names or likenesses in parodies in general, and in Cardtoons' trading cards in particular, are not likely to confuse or deceive consumers. Thus, this final economic justification has little merit.

There are also several noneconomic reasons advanced for the right of publicity. First, some believe that publicity rights stem from some notion of natural rights. McCarthy, for example, argues that a natural rights rationale, resting more upon "visceral impulses of 'fairness' " than upon reasoned argument, "seems quite sufficient to provide a firm support for the existence of a Right of Publicity." McCarthy, *supra*, § 2.1[A]. McCarthy, however, offers little reason for this assertion, and blind appeals to first principles carry no weight in our balancing analysis.

The second noneconomic justification is that publicity rights allow celebrities to enjoy the fruits of their labors. *See, e.g., Zacchini,* 433 U.S. at 573, 97 S.Ct. at 2856; *Uhlaender v. Henricksen,* 316 F.Supp. 1277, 1282 (D.Minn.1970). According to this argument, "[a] celebrity must be considered to have invested his years of practice and competition in a public personality which eventually may reach marketable status." *Uhlaender,* 316 F.Supp. at 1282. People deserve the right to control and profit from the commercial value of their identities because, quite simply, they've earned it. Thus, in this view, the right of publicity is similar to the right of a commercial enterprise to profit from the goodwill it has built up in its name. *Ali v. Playgirl, Inc.,* 447 F.Supp. 723, 728-29 (S.D.N.Y.1978).

Celebrities, however, are often not fully responsible for their fame. Indeed, in the entertainment industry, a celebrity's fame may largely be the creation of the media or the audience. *See* Madow, *supra* at 184-96 (discussing the role of factors beyond a celebrity's control in developing a commercially marketable persona). As one actor put it, "Only that audience out there makes a star. It's up to them. You

can't do anything about it. . . . Stars would all be Louis B. Mayer's cousins if you could make 'em up." Jack Nicholson, *quoted in* Jib Fowles, *Starstruck: Celebrity Performers and the American Public* 84 (1992). Professional athletes may be more responsible for their celebrity status, however, because athletic success is fairly straightforwardly the result of an athlete's natural talent and dedication. Thus, baseball players may deserve to profit from the commercial value of their identities more than movie stars. Once again, however, the force of this justification is diminished in the case of parody, because there is little right to enjoy the fruits of socially undesirable behavior.

The third, related justification for publicity rights is the prevention of unjust enrichment. *See, e.g., Zacchini,* 433 U.S. at 576, 97 S.Ct. at 2857-58; *Ali,* 447 F.Supp. at 728-29. In this view, whether the commercial value of an identity is the result of a celebrity's hard work, media creation, or just pure dumb luck, no social purpose is served by allowing others to freely appropriate it. Cardtoons, however, is not merely hitching its wagon to a star. As in all celebrity parodies, Cardtoons added a significant creative component of its own to the celebrity identity and created an entirely new product. Indeed, allowing MLBPA to control or profit from the parody trading cards would actually sanction the theft of Cardtoons' creative enterprise.

A final justification offered for the right of publicity is that it prevents emotional injuries. For example, commercial misappropriation may greatly distress a celebrity who finds all commercial exploitation to be offensive. *Lugosi v. Universal Pictures,* 25 Cal.3d 813, 160 Cal.Rptr. 323, 337 n. 11, 603 P.2d 425, 439 n. 11 (1979) (Bird, C.J., dissenting). Even celebrities who crave public attention might find particular uses of their identities to be distressing. *See, e.g., O'Brien v. Pabst Sales Co.,* 124 F.2d 167, 170 (5th Cir.1942) (professional football player, active in an organization

devoted to discouraging alcohol use among young people, sued to stop the use of his image in a Pabst Blue Ribbon beer advertising calendar). The right of publicity allows celebrities to avoid the emotional distress caused by unwanted commercial use of their identities. Publicity rights, however, are meant to protect against the loss of financial gain, not mental anguish. *Zacchini*, 433 U.S. at 573, 97 S.Ct. at 2856; *Lugosi*, 603 P.2d at 438-39 (Bird, C.J., dissenting). Laws preventing unfair competition, such as the Lanham Act, and laws prohibiting the intentional infliction of emotional distress adequately cover that ground. Moreover, fame is a double-edged sword—the law cannot allow those who enjoy the public limelight to so easily avoid the ridicule and criticism that sometimes accompany public prominence.

Thus, the noneconomic justifications for the right of publicity are no more compelling than the economic arguments. Those justifications further break down in the context of parody, where the right to profit from one's persona is reduced to the power to suppress criticism. In sum, the effect of limiting MLBPA's right of publicity in this case is negligible.

IV. Conclusion

One of the primary goals of intellectual property law is to maximize creative expression. The law attempts to achieve this goal by striking a proper balance between the right of a creator to the fruits of his labor and the right of future creators to free expression. Underprotection of intellectual property reduces the incentive to create; overprotection creates a monopoly over the raw material of creative expression. The application of the Oklahoma publicity rights statute to Cardtoons' trading cards presents a classic case of overprotection. Little is to be gained, and much lost, by protecting MLBPA's right to control the use of its members' identities in parody trading cards. The justifications for the right of publicity are not nearly as compelling as those

offered for other forms of intellectual property, and are particularly unpersuasive in the case of celebrity parodies. The cards, on the other hand, are an important form of entertainment and social commentary that deserve First Amendment protection. Accordingly, we AFFIRM.

We GRANT the motion by First Amendment Publishing, Inc. for leave to file an amicus curiae brief, DENY the motion by appellee to strike, and GRANT the motion by appellee to file a supplemental appendix and brief in support.

APPENDIX E

UNITED STATES DISTRICT COURT,
N.D. OKLAHOMA, TULSA

No. 93-C-576-E

CARDTOONS, LC.,

Plaintiff,

v.

MAJOR LEAGUE BASEBALL
PLAYERS ASSOCIATION,

Defendant.

Oct. 25, 1994

ORDER

ELLISON, Chief Judge.

The Court has for consideration the Report and Recommendation of the Magistrate (Docket # 38) to which the parties have objected. Also before the Court: Plaintiff's Motion for Summary Judgment (Docket # 17), Defendant's Motion for Declaratory Judgment (Docket # 11), Plaintiff's Motion for Temporary Restraining Order (Docket # 2), Plaintiff's Motion for Preliminary Injunction (Docket # 2), and Plaintiff's Motion to Expedite Request for Declaratory Relief (Docket # 2). The Magistrate's Report and Recommendation (hereinafter "Report," cited as "R. and R.") was prepared after extensive briefing by the parties and an evidentiary hearing before the Magistrate, and it was adopted by the Court. In the Report, the Magistrate found that Plaintiff violated Defendant's rights under Okla.Stat. tit. 12, § 1449(A), Oklahoma's right of publicity statute. The Court has set aside its adoption of the Report and Recommendation

and its Order of Judgment (Docket # 48) so that thorough consideration can be given to the parties' objections to the Report and Recommendation, as well as recent authority from the Supreme Court.

Defendant claims that its product, a set of baseball cards labelled "Cardtoons," is parody. Common targets of parody are widely-known individuals and institutions. It has been acknowledged that parody must, to some extent, copy its subject matter.

> Parody's humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to "conjure up" at least enough of that original to make the object of its critical wit recognizable.

Campbell v. Acuff-Rose Music, Inc., — U.S.—, —, 114 S.Ct. 1164, 1176, 127 L.Ed.2d 500 (1994). "A parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point." *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252, 253 (2d Cir.1980) (citing *Columbia Pictures Corp. v. National Broadcasting Co.*, 137 F.Supp. 348, 354 (S.D.Cal.1955)). To be an effective parody of baseball cards, it is necessary that Cardtoons trading cards imitate the general configuration of baseball cards.

If Cardtoons' cards were not published in (3½" x 2½") card form, they would not evoke the parodically-necessary theme of traditional baseball cards in Cardtoons' audience. Likewise, if Cardtoons was to forego placing any image of an actual baseball player on its cards, the cards' status as baseball card parodies would be obscured. It is the evocation of the image of particular baseball players that is the basis of

MLBPA's position, because Oklahoma's right of publicity extends to "images" of people. Without the inclusion of an image, however, it is essentially impossible to create effective parody, because parody relies, in substantial part, on visual identification with the parody's target.

The nature of Plaintiff's product is significant: are Cardtoons trading cards parody? Webster's Third New International Dictionary defines parody as "a writing in which the language and style of an author or work is closely imitated for comic effect or in ridicule often with certain peculiarities greatly heightened or exaggerated." *See also* R. and R. at 23 n. 27 (838 F.Supp. 1501, 1514 n. 27) (N.D.Okl.1993); *Acuff-Rose.*, — U.S. at —, 114 S.Ct. at 1172. In this *de novo* review, it is evident that Cardtoons' cards are parody: the general style of baseball cards has been imitated, but the images of the players found on the front side of the cards, and the biographical material on the back, have been exaggerated. While Plaintiff's assurance that the cards are non-commercial does not withstand scrutiny, neither does Defendant's portrayal of the cards as purely commercial. Cardtoons are both commercial and parody, and must be considered as both.

The Report acknowledges that "the Constitution 'accords a lesser protection to commercial speech than to other constitutional guarantees of expression.' " R. and R. at 32 (838 F.Supp. at 1520) (citing *Central Hudson Gas & Elec. Co. v. Public Serv. Comm'n.*, 447 U.S. 557, 100 S.Ct. 2343, 65 L.Ed.2d 341 (1980)). "Lesser protection" is not the equivalent of "no protection." That Plaintiff's speech is a product does not rescind its First Amendment protection. *Central Hudson*, 447 U.S. at 563-564, 100 S.Ct. at 2350; *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 765, 96 S.Ct. 1817, 1827, 48 L.Ed.2d 346 (1976). "Indeed, the singular reason for using the players' likenesses and/or names is to entice the

consumer to purchase the product. Without such likenesses and names, the profit potential dwindles." R. and R. at 33 (838 F.Supp. at 1521). Without the likenesses and names, the *parody* potential of Cardtoons also dwindles.

Creating a successful commercial parody of a well-known person is not as simple as creating a successful commercial counterfeit of a well-known product. A counterfeiter adds nothing to the original. A parodist takes a person, exaggerates and distorts facets of the person until hilarity ensues, and markets the result. The result is not the equivalent of the original: the parodist has studied the original and modified it until it is something that could never be mistaken for its progenitor. It is reasonable that a parodist would seek compensation for his efforts, for though the parodist takes substantial inspiration from his subject, he creates something that did not exist before.

Oklahoma's right of publicity statute reads:

> Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods, or services, without such person's prior consent . . . shall be liable for any damages sustained by the person or persons injured as a result thereof, and any profits from the unauthorized use that are attributable to the use shall be taken into account in computing the actual damages.

Okla.Stat. tit. 12, § 1449(A) (1985).[1]

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[1] Oklahoma's first right of publicity statute, Okl. Stat. tit., 21, § 839.1-3, was passed in 1965. The statute was modelled on a New York statute, New York Civ. Rights Law §§ 50, 51. Oklahoma's statute was supplemented by the Oklahoma legislature in 1985 with Okla.Stat. tit. 12, § 1449, which is virtually identical to California's right of publicity

The Oklahoma statute protects a person's right of publicity. The right of publicity has been summarized as "the right to prevent others from using one's name or picture for commercial purposes without consent." *Douglass v. Hustler Magazine, Inc.*, 769 F.2d 1128, 1138 (7th Cir.1985), *cert. denied*, 475 U.S. 1094, 106 S.Ct. 1489, 89 L.Ed.2d 892 (1986). The purpose of the Oklahoma statute is to protect individuals, celebrities or otherwise, from having distinguishing characteristics of their persona exploited, to the commercial benefit of another. The statute advises that a person's name, voice, signature, photograph, or likeness is protected. In the present case, the only characteristic that must be considered is "likeness."

The Magistrate applied a three-part test in the Report to determine if Cardtoons had violated the Oklahoma statute.

> To prove that § 1449(A) has been violated, MLBPA must show that Cardtoons has: (1) "knowingly" used MLBPA's "name" or "likeness"; (2) on "products, merchandise or goods"; (3) without MLBPA's prior consent. If MLBPA proves those elements, the "burden" shifts to Cardtoons to raise a valid defense.

R. and R. at 15 (838 F.Supp. at 1511). The test applied in the Report accurately incorporates the elements of the offense. The Court agrees with the Magistrate's conclusion that MLBPA has proven the three elements, and that Cardtoons' conduct was contrary to the statute. The Court further concurs with the Report and Recommendation in that the defenses provided within the statute are not applicable to Plaintiff. Thus, the issue in this case is precisely that as identified by the Magistrate: "Is there a First Amendment 'parody' defense for a commercial product under a balancing approach? Or,

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statute, Cal.Civ.Code §§ 990 and 3344. *See* Lucian Wayne Beavers, *Oklahoma's Right of Publicity Laws*, 57 Okla.Bar J. 2612 (1986).

put simply, can one *sell* a parody?" R. and R. at 22 (838 F.Supp. at 1515).

The Court will not firmly employ any one test in weighing MLBPA's right of publicity, for the simple reason that one has not yet been devised. When guidelines for judicial application of a law to a set of specific facts do not exist, a rational response is to reach out to a like area of law and adopt a test that has survived years of application. The Magistrate Judge decided the question of a parody defense to the right of publicity by applying tests developed in copyright and trademark caselaw, because the right of publicity is similar to copyright and trademark law in that these areas are within the realm of intellectual property.

The Magistrate applied two tests: a "use analysis" and a "balancing analysis." These tests can assist the trier of fact in isolating the numerous issues that must be considered in determining the extent of the right of publicity. The strict application of either of these tests to a right of publicity case, however, can result in various factors receiving improper consideration. The Court declines to determine the extent of the right of publicity by relying exclusively on tests developed in other areas of the law, but will review the tests to ascertain their applicability to the right of publicity.

Trademark law employs a balancing analysis. The resemblance of trademark law to the right of publicity is hazy. "[A]fter adding up all the differences and similarities, the differences outweigh the similarities." J. Thomas McCarthy, *The Rights of Publicity and Privacy,* 5-6 (1994).

> Courts and commentators have often remarked on the kinship and resemblance of trademark law to the law of the Right of Publicity. But, unfortunately, some courts have failed to see the important distinctions and have unthinkingly imported certain inapplicable pieces of trademark doctrine into Right of Publicity cases. Such

> courts miss the important reality that the Right of Publicity is only *analogous,* not *identical,* to the law of trademarks.

Id. at 5-9 (emphasis in original) (citations omitted). Recognizing that dangers in the application of trademark law to the right of publicity exist, it still may be possible to successfully transpose the value of trademark law analysis to the present case.

Trademark infringement is governed by the Lanham Act. Section 32(1) of the Lanham Act provides for civil liability when an alleged infringer uses a trademark in a way that is "likely to cause confusion, or to cause mistake or deceive." 15 U.S.C. § 1114(1)(a). Parodies of trademarks have been found to violate the Lanham Act when a likelihood of confusion has been created. *See Anheuser-Busch, Inc. v. Balducci Publications,* 28 F.3d 769, 778, 781 (8th Cir.1994); *Nike, Inc. v. Just Did It Enterprises,* 6 F.3d 1225 (7th Cir.1993); *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Group,* 886 F.2d 490 (2d Cir.1989). The Report cites three methods of analysis relied upon by courts in weighing parody and the First Amendment in trademark cases.

The first method simply recognizes parody as an affirmative defense to a Lanham Act claim. R. and R. at 26 (838 F.Supp. at 1517). This lends support to the general proposition that parody qualifies as an affirmative defense to the right of publicity. The second method mentioned in the Report is a balancing of the rights of a trademark owner against First Amendment concerns. The third method states that "parody is not a defense to trademark infringement, but rather is another factor to be considered in the likelihood of confusion equation." R. and R. at 27 (838 F.Supp. at 1518) (citing *Schieffelin & Co. v. Jack Co. of Boca, Inc.,* 725 F.Supp 1314, 1323 (S.D.N.Y.1989)).

The Report refers to *Jordache Enters., Inc. v. Hogg Wyld Ltd.*, 828 F.2d 1482 (10th Cir.1987), for support. Unlike *Jordache*, which involved competing lines of denim jeans, the likelihood of confusion in the context of Cardtoons is minimal. It is impossible for consumers to believe that Cardtoons are traditional, officially licensed cards when each card proclaims that Cardtoons are not licensed.[2] Second, *Jordache* states, "parody is an attempt to derive benefit from the reputation of the owner of the mark . . . if only because no parody could be made without the initial mark." *Id.* at 1486. The court further reasoned, "where two marks are confusingly similar, or where there is evidence of actual confusion, a likelihood of confusion can exist despite the intent to create a parody." *Id.* Applying this analysis to Cardtoons results in the conclusion that because no likelihood of confusion exists. [sic] Cardtoons' intent to create a parody—even one in the context of a commercial use, as in *Jordache*—prevails.

The Report's trademark law balancing analysis is flawed. The analysis finds that Cardtoons' speech is commercial, that commercial speech receives less First Amendment protection than other kinds of speech, and thus, the baseball players' right of publicity prevails. This reasoning is identical to the copyright law "use analysis" that it also employed in the

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[2] Cardtoons are individually, explicitly labelled as "parody." Whether this was done to negate any possible confusion with traditional, licensed cards, or to deter a lawsuit such as is now before this Court, is not relevant to decision. "Parody serves its goals whether labelled or not, and there is no reason to require parody to state the obvious (or even the reasonably perceived)." *Acuff-Rose*, — U.S. at — n. 17, 114 S.Ct. at 1173 n. 17 (citation omitted). *But see Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 778, 781 (8th Cir.1994) (in trademark case, "tiny disclosure" that parody advertisement was actually editorial commentary might increase consumer confusion).

Report. The Report mentions in a footnote that another factor to be weighed in a "balancing analysis" are the ramifications of a decision allowing Cardtoons a First Amendment defense in this case. R. and R. at 33 n. 35 (838 F.Supp. at 1521 n. 35).

The Report expresses concern about the prospect of other companies creating parody cards of baseball players, or other sports professionals.[3] This would purportedly open a "floodgate" of other commercial products. It is inappropriate to characterize this concern as a "factor" in the setting of a district court applying a balancing analysis, and the Court therefore deletes any consideration of potential proliferation of parodies from its balancing analysis.

Because trademark analysis is predominantly concerned with the likelihood of confusion issue, its utility in construing Oklahoma's sweeping right of publicity statute in a parody situation is minimal. The Report observed, "*Jordache* and the other trademark cases do not paint a clear picture of when parodies used in commercial settings should receive First Amendment protection." R. and R. at 27 (838 F.Supp. at 1517). The unclear picture, coupled with trademark law's emphasis on consumer confusion, prompts the Court to refrain from relying upon specific forms of trademark analysis in reaching its decision in the present case.

Copyright law utilizes the fair use doctrine. The Supreme Court has noted that the goals of the right of publicity are closely analogous to the goals of patent and copyright law. *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 573, 97 S.Ct. 2849, 2856, 53 L.Ed.2d 965 (1977). The applicability of copyright law to the right of publicity has been

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[3] Although inappropriate, the observation is accurate. *See* Amicus Brief, First Amendment Publishing at 1 (company presently engaged in selling unlicensed parody trading cards of professional basketball players).

suggested by several commentators: "[t]he analogy between assertion of the Right of Publicity and copyright law in the context of parody and satire seems apt." McCarthy, *supra*, at 8-108.[4] The Supreme Court has given substantial consideration to the question of copyright fair use in a parody context: "[t]he threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived." *Acuff-Rose*, — U.S. at —, 114 S.Ct. at 1173.94058334. [sic] It is indisputable that a parodic character may be reasonably perceived in Cardtoons trading cards. Thus, under the standard applicable to parody under copyright law, Cardtoons would be eligible for a fair use analysis.

A fair use analysis is based on applying four illustrative guidelines:

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. An understanding of the illustrative nature of the fair use guidelines is a precondition to their correct application.

> First, the factors contained in Section 107 are merely by way of example, and are not necessarily an exhaustive

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[4] *See also* Restatement (Third) of Unfair Competition § 47 at 182 (Tentative Draft 4, 25 March 1993); Beth Warnken Van Hecke, *But Seriously, Folks: Toward a Coherent Standard of Parody as Fair Use*, 77 Minn.L.Rev. 465 (1992); Randall T.E. Coyne, *Toward a Modified Fair Use Defense in Right of Publicity Cases*, 29 Wm & Mary L.Rev. 781 (1988); Marc J. Apfelbaum, *Copyright and the Right of Publicity: One Pea in Two Pods?*, 71 Geo. L.J. 287 (1983).

> enumeration. This means that factors other than those enumerated may prove to have a bearing upon the determination of fair use . . . In addition, Section 107 gives no guidance as to the relative weight to be ascribed to each of the listed factors . . . . . [sic] the courts are left with almost complete discretion in determining whether any given factor is present in any particular case.

Melville Nimmer, 3 *Nimmer on Copyright* § 13 at 13-156 to 13-157 (1994 rev.). The inherent flexibility of fair use analysis lends itself to application in a right of publicity context.

The Report cites three fair use cases for the proposition that commercial parodies cannot assert a fair use defense. The first case, *Tin Pan Apple, Inc. v. Miller Brewing Co., Inc.*, 737 F.Supp. 826 (S.D.N.Y.1990), is quoted for the statement, ". . . appropriation of copyrighted material solely for personal profit, unrelieved by any creative purpose, cannot constitute parody as a matter of law." R. and R. at 29 (838 F.Supp. at 1518) (citing *Tin Pan Apple*, 737 F.Supp. at 830). The Court has determined that Cardtoons are a mixed use: the cards were created for commercial profit, and they possess creative purpose. *Tin Pan Apple* involved a product devoid of any creative aspect. Thus, the district court's rule in *Tin Pan Apple* is of minimal significance to the present case.

Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc., 642 F.Supp. 1031 (N.D.Ga.1986), is the second case referred to in the Report. That district court rejected a fair use parody defense because "the primary purpose behind the defendant's parody is not an effort to make a social comment but is an attempt to make money." *Id.* at 830. In light of the Supreme Court's clarification of fair use in *Campbell*, which demoted "commercial purpose" from its misperceived status as a determinative factor to that of one

among several factors, *supra,* the Court must look elsewhere for guidance.

The third case relied on by the Report is the Sixth Circuit's decision in *Acuff-Rose,* which was unanimously rejected by the Supreme Court for its excess reliance on the commercial purpose factor.

The Report's application of the copyright law use analysis found that Cardtoons trading cards have a commercial purpose, that they are not in a traditional medium, and thus, that they are deserving of little First Amendment protection. The Report confers excessive weight to the commercial aspect of Cardtoons, which is only one facet of the "purpose and character of the use." The commercial nature of Cardtoons was repeatedly emphasized in the Report and Recommendation. In overturning the Sixth Circuit, the Supreme Court stated, "[i]n giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred." *Acuff-Rose,* — U.S. at —, 114 S.Ct. at 1174. While the Report did not give "virtually dispositive" weight to the finding that Cardtoons trading cards are of a commercial nature, that finding was featured in the Report's analysis and conclusion.

The Report disregards the nature of the protected work, and fails to consider the "amount and substantiality of the portion used" in relation to the protected work as a whole. Finally, the Report did not address the "effect of the use upon the potential market for or value of" the protected work. Although Section 107 provides no more than illustrative guidelines for analysis, the section loses its integrity when only one of its four guidelines is considered.

The Court concludes that copyright law's § 107 fair use guidelines can be referenced for general guidance in the Court's application of Oklahoma's right of publicity statute, but that the only case involving fair use and parody that is

directly pertinent to the facts before the Court is the Supreme Court's pronouncement in *Acuff-Rose*, which was unavailable to the Magistrate Judge at the time the Report and Recommendation was prepared.[5]

The foundation for the Report's conclusion—the four analyses referred to in the Report's "Summary of Decisional Parody Defenses—" is unsteady. The "use analysis" and "balancing analysis" relied on in answering the question, "Does Cardtoons Have a Parody Defense," were imprecisely applied. Having reviewed the decisional parody defenses referred to in the Report, and having found them to be of minimal application to the present case, the Court judges Cardtoons' parody defense by applying a "use analysis" drawn from copyright law, with reference to the Supreme Court's discussion of First Amendment protections for parody in *Acuff-Rose*.

The first of the four guidelines in the fair use analysis is the "purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." 17 U.S.C. § 107(1). Cardtoons trading cards are a commercial product. The cards were created to be distributed and sold in interstate commerce. Cardtoons trading cards express opinions on matters of public interest, but the expression of opinion is subsidiary to, or indistinguishable from, their commercial purpose.

A parody can be commercial in two ways: to advertise a separate product, or, as the product. In *White v. Samsung Electronics America, Inc.*, 971 F.2d 1395 (9th Cir.1992), *reh'g. denied*, 989 F.2d 1512 (9th Cir.1993), *cert. denied*, — U.S. —, 113 S.Ct. 2443, 124 L.Ed.2d 660, the Ninth Circuit

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[5] The Report and Recommendation was adopted by the Court on November 23, 1993. *Campbell v. Acuff-Rose Music, Inc.* was delivered by the Supreme Court on March 7, 1994.

interpreted California's right of publicity statute. Defendant Samsung published an advertisement which featured a robot standing on a stage before a large bank of revolving letters. The robot was dressed in a long blond wig and a sequined gown, and was posed with an arm outstretched. The image presented was strikingly similar to elements of a popular television game show. The Ninth Circuit ruled that the advertisement infringed the Plaintiff's right of publicity. The nature of the commercial use was the fact that the use was exactly that: a commercial. Vanna White's likeness, in the form of costumed robot, was used to advertise the virtues of Defendant's video cassette recorders. "The ad's spoof of Vanna White and Wheel of Fortune is subservient and only tangentially related to the ad's primary message: 'buy Samsung VCR'S.' " *Samsung*, 971 F.2d at 1401.

The focus on advertising in measuring the commercial character of a parody is maintained by the current unfinished draft of the Restatement: "if the name or likeness is used solely to attract attention to a work that has no relationship to the identified person, the user may be subject to liability for a use of the other's identity in advertising." *Restatement (Third) Unfair Competition* § 47 at 182 (Tentative Draft 4, 25 March 1993); *see also* William M. Borchard, *The Common Law Right of Publicity is Going Wrong in the United States: Waits v. Frito Lay and White v. Samsung Electronics*, Comment, 6 Ent.L.Rev. 208 (1992); John F. Hyland and Ted C. Lindquist, *White v. Samsung Electronics America, Inc.: The Wheels of Justice Take an Unfortunate Turn*, 23 Golden Gate U.L.Rev. 299 (1993).

In contrast, Cardtoons trading cards are not an advertisement for anything except themselves. "The use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry, than the sale of a parody for its own sake . . ." *Acuff-Rose*, — U.S. at —, 114 S.Ct. at 1174.

While the Supreme Court's analysis does not directly address the distinction between the two aforementioned types of commercial use, it does recognize that a parody sold for profit has a stronger claim to First Amendment protection than a parody used to advertise another unrelated product.

The second of the four fair use guidelines reads, "the nature of the copyrighted work." 17 U.S.C. § 107(2). In the present case, "copyrighted work" must be substituted with an equivalent term, such as, "protected interest," to reflect the discrepancy between copyright law and the right of publicity. Even with modification, this guideline is awkward in its application to the right of publicity. "Under this factor, the more creative a work, the more protection it should be accorded from copying; correlatively, the more informational or functional the plaintiff's work, the broader should be the scope of the fair use defense." 3 *Nimmer* § 13.05[A] at 13-170. The "work" or "protected interest" in Cardtoons is the MLBPA's right to control the likenesses of its members.

The nature of a likeness is factual: every person's face, for example, is unique. Factual works are subject to a broader scope of fair use. Construing creativity as originality, however, begets the finding that the uniqueness of a person's likeness is a function of creativity, which is entitled to substantial protection. The complications involved in attempting to contort this guideline into a form appropriate to the right of publicity convince this Court to exercise its discretion in discounting the second guideline from its fair use analysis.

The third guideline is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3). Applied to the right of publicity, this guideline refers to whether Cardtoons took more than was necessary to accomplish its parodic purpose. Cardtoons has used the likenesses of baseball players to inform readers of the subject of each card's parody. Cardtoons did not use

photographs. The trading cards did not depict graphically-precise drawings. Instead, Cardtoons accomplished its purpose with the use of caricatures. Plaintiff has taken features from players' likenesses to use as the basis for parodic artistic interpretations. Cardtoons could have accomplished its parodic purpose by taking more from the players' likenesses, but it would have failed had it taken less than it did. Thus, this factor weighs in favor of fair use.

The fourth and final guideline is "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4). "If one looks to the fair use cases, if not always to their stated rationale, this emerges as the most important, and indeed, central fair use factor." 3 *Nimmer* § 13.05[A] at 13-183. The factor is "undoubtedly the single most important element of fair use." *Fisher v. Dees,* 794 F.2d 432, 437 (9th Cir.1986) (quoting *Harper & Row, Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 566, 105 S.Ct. 2218, 2233, 85 L.Ed.2d 588 (1985)). Courts should "evaluate parody cases by examining the alleged infringement in terms of the purpose behind copyright, focusing largely on whether the parody is capable of serving as a substitute for the original." Beth Warnken Van Hecke, Note, *But Seriously, Folks: Toward a Coherent Standard of Parody as Fair Use,* 77 Minn.L.Rev. 465, 466 (1992).

Defendant has submitted substantial evidence that Plaintiff planned to market its cards in both the same market and manner as traditional, licensed baseball cards are sold. The objective of the evidence is to demonstrate that Cardtoons will expropriate market share from licensed baseball cards. Judith Heeter, Director of Licensing for the MLBPA, testified in her deposition, "[t]he sale of Cardtoons trading cards which are not authorized by the MLBPA will divert sales away from baseball trading cards or other products which are authorized by the MLBPA." Heeter Deposition at 8. Heeter provides no evidence to substantiate her contention, but

simply stated, "[t]he amount of the loss of revenue to MLBPA and its members, as well as to authorized licensees, resulting from the sale of Cardtoons' trading cards is impossible to accurately determine." Id. Heeter's statement appears to be based on the belief that Cardtoons are analogous to counterfeit baseball cards, and like a counterfeit of any product, the sale of unauthorized copies curtails sales of the original. If Cardtoons were a facsimile designed to appropriate market share, the fourth factor of the fair use analysis would lie in favor of a finding that Cardtoons were not a fair use. "The fourth factor looks to adverse impact only by reason of usurpation of the demand for [the original] work through [the] copying of protectable expression from such work." 3 *Nimmer* § 13.05[A1 at 13-182.

Does Cardtoons' marketing of caricatured likenesses of baseball players satisfy market demand for players' likenesses? The Court finds this unlikely. An enormous market exists for traditional baseball cards. Every card ever produced has market value, and these values are tracked by several collectors' guides and catalogues.[6] A traditional card features an accurate representation, almost always photographic, of an individual player on one side, and reliable statistical data about that player's career on the reverse. The caricatures featured on one side of Cardtoons trading cards, and the irrelevant factual data or editorial commentary on the reverse, show Cardtoons' cards to be a completely different

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[6] *See, e.g., Sports Collectors Digest.* Krause Publications; *Tuff Stuff,* Tuff Stuff Publications, Inc. "The trading card market is now a $2.007 billion industry. Of that figure, the breakdown is $1.229 billion for baseball cards." James S. Thompson, Comment, *University Trading Cards: Do College Athletes Enjoy a Common Law Right to Publicity?,* 4 Seton Hall J. Sport L. 143, n. 62 (1994), (citing Manny Topol, *At Odds Over Cards; the Unanswered Billion-Dollar Question Is: Who Owns the Rights to the Players' Pictures,* Newsday, June 7, 1992, at 13).

product. The trading cards are not a faithful counterfeit or reproduction of typical baseball cards. The people who would purchase Cardtoons' cards may be some of the same people who purchase traditional baseball cards, but Cardtoons trading cards are not a substitute product, and cannot fulfill demand for the original.

Thus, upon consideration of the fair use guidelines, the Court concludes that one guideline is inapplicable to the right of publicity, and three guidelines weigh in favor of a finding that Cardtoons trading cards are a "fair use."

"There is no Constitutional right to control one's right of publicity; there is a Constitutional right to free speech." James L. Swanson, *Are the California Right of Publicity Statutes Unconstitutional?: A Second Look at Some First Amendment Problems,* 20 Beverly Hills Bar Assoc.Jour. 234, 235 (1986). As a restriction on speech, the right of publicity is susceptible to criticism on First Amendment grounds. "I doubt even a name-and-likeness-only right of publicity can stand without a parody exception," *Samsung,* 989 F.2d at 1519 (Kozinski, Circuit Judge, dissenting). Plaintiff has raised the argument that the Oklahoma statute is unconstitutional because it provides no explicit opportunity for parody to be sold. "Oklahoma has one of the most all-encompassing and generous bodies of right of publicity law in the country." Beavers, *supra,* at 2618. Were the Oklahoma statute's provisions rigidly applied by courts, the result would be that an individual claiming the right of publicity would enjoy absolute control over the dissemination of his or her likeness, as long as it is remotely recognizable. The propagation of parody would become entirely contingent on receiving permission from the subject. Such a result would be contrary to the purposes of the right of publicity and the First Amendment.

> [T]he power to license is the power to suppress. When the law gives a celebrity a right of publicity, it does more

> than funnel additional income her way. It gives her (or her assignee) a substantial measure of power over the production and circulation of meaning and identity in our society: power, if she so chooses, to suppress readings or appropriations of her persona that depart from, challenge, or subvert the meaning she prefers; power to deny to others the use of her persona in the construction and communication of alternative or oppositional identities and social relations; power, ultimately, to limit the expressive and communicative opportunities of the rest of us.

Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights,* 81 Calif.L.Rev. 125, 145-146 (1993).

"Parodists will seldom get permission from those whose works are parodied. Self-esteem is seldom strong enough to permit the granting of permission even in exchange for a reasonable fee." *Fisher,* 794 F.2d 432, 437-438 (9th Cir.1986) (quoting Note, *The Parody Defense to Copyright Infringement: Productive Fair Use After Betamax,* 97 Harv.L.Rev. 1395, 1397 n. 12 (1984)). "[T]he more 'creative' the merchandiser's use—the more critical, satiric, or subversive its bite—the less likely it is that the celebrity will grant a license for it." Madow, *supra,* at 145, 146. Defendant has testified that even if Cardtoons applied for a license, one would not be forthcoming: "MLBPA would never license a parody which poked fun at the players." R. and R. at 8 (838 F.Supp. at 1508). "Poking fun" is the essence of parody. "The right of publicity derived from public prominence does not confer a shield to ward off caricature, parody and satire." *Guglielmi v. Spelling-Goldberg Productions,* 25 Cal.3d 860, 160 Cal.Rptr. 352, 358, 603 P.2d 454, 460 (1979). Were the statute exploited to its full potential, the art of parody, in a commercial context, would cease to exist. Defendant's reliance on Oklahoma's right of publicity statute is an

example of how the target of a parody can employ the statute to censor parody before it is ever disseminated.

The statute could only have this deleterious effect if the Court initially found that commercial parody is unprotected by the First Amendment. Because this Court agrees with others in finding that commercial parody is protected by the First Amendment, any statute that effectively outlaws commercial parody could not withstand constitutional scrutiny. The Court recognizes that there are valid constitutional concerns regarding the Oklahoma statute. The Court also acknowledges the principle of statutory interpretation that "courts should construe statutes to avoid constitutional defects." *Wilson v. N.L.R.B.*, 920 F.2d 1282, 1288 (6th Cir.1990), *cert. denied*, — U.S. —, 112 S.Ct. 3025, 120 L.Ed.2d 896 (1992). Thus, the Court bases its decision in this case upon the application of copyright law to the right of publicity. In doing so, the Court recognizes a parody exception to the Oklahoma statute. Cardtoons' product falls within this exception, despite the fact that it is a parody that is sold for commercial gain. Accordingly, Cardtoons' product does not violate Okla.Stat. tit. 12, § 1449. Therefore, the Court declines to adopt the Magistrate Judge's Report and Recommendation.

IT IS THEREFORE ORDERED that Plaintiff's Motion for Summary Judgment (Docket # 11) is GRANTED. Defendant's Motion for Declaratory Judgment (Docket # 17) is DENIED. Defendant's Motion for Attorney Fees and Costs (Docket # 44) is DENIED. Plaintiff's Motions for Temporary Restraining Order, Preliminary Injunction, and Expedited Ruling (Docket # 2) are DENIED as MOOT. Plaintiff's Motion for New Trial (Docket # 52) is DENIED as MOOT.

APPENDIX F

UNITED STATES DISTRICT COURT,
N.D. OKLAHOMA

No. 93-C-576-E

CARDTOONS, L.C.,

Plaintiff,

v.

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,

Defendant.

Nov. 23, 1993

ORDER

ELLISON, Chief Judge.

The Court has for consideration the Report and Recommendation of the Magistrate filed November 3, 1993. After careful consideration of the record and the issues, including the briefs and memoranda filed herein by the parties, the Court has concluded that the Report and Recommendation of the Magistrate should be and hereby are adopted by the Court.

IT IS THEREFORE ORDERED:

1. That the trial of this matter be consolidated with hearings held, in accord with Rule 65(e), Federal Rules of Civil Procedure. The Court finds the facts are straightforward and any further hearing is unwarranted;

2. That declaratory judgment be entered in favor of the Major League Baseball Players Association, to the effect that Cardtoons' seventy-one (71) players, twenty (20) Big Bank Buck and ten (10) Spectra cards, part of

its "Baseball Parody Cards" set which depict the likenesses and parody names of active Major League Baseball players violates 12 O.S. § 1449(A) and the players' "rights of publicity", as embodied within that statute;[1]

3. That declaratory judgment be denied to Cardtoons, to the effect that it does *not* have a First Amendment right of free expression to market and sell its "Baseball Parody Cards" without license from the Major League Baseball Players Association;

4. That injunctive relief be denied to the Major League Baseball Players' Association, there being no showing of "irreparable harm"; and, the MLBPA having an otherwise adequate remedy at law;

5. That damages be denied to both parties, the evidence showing that no sales of the "Baseball Parody Cards" have been made.

ORDERED.

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[1] This includes any other type of card within the set depicting a player's likenesses and parody name. It does *not* include the cards drawn by Dave Simpson, which do not depict players' likenesses, and which the MLBPA agrees, may be published. Nor does it technically include *former* Major League Players, whose interests are admittedly *not* protected by the MLBPA. The same analysis, however, would clearly apply to such persons, on an individual basis.

REPORT AND RECOMMENDATION OF UNITED STATES MAGISTRATE JUDGE

WOLFE, United States Magistrate Judge.

This report and recommendation addresses the following motions:

1. Plaintiff's *Motion For Temporary Restraining Order and Preliminary Injunction (docket # 2);*
2. Defendant's *Motion To Dismiss (docket # 6);*
3. Plaintiff's *Motion For Summary Judgment (docket # 11)*; and
4. *Motion For Declaratory Judgment (docket # 17).*[1]

An evidentiary hearing was held on September 14 and 15, 1993. As a result of that hearing, the issues raised by the parties' various motions are subject to consolidation per Rule 65(a)(2), *Federal Rules of Civil Procedure,* discussed below.

I. INTRODUCTION

Plaintiff filed its *Motion for Summary Judgment* (docket # 11) on August 6, 1993. On August 13, 1993 Defendant MLBPA filed its *Motion for Declaratory Judgment* (docket # 17), which is, in effect, a cross-motion for summary judgment. Both parties had earlier moved the court to grant injunctive relief (Plaintiff's *Complaint* (filed June 22, 1993); and Defendant's *Answer and Counterclaim* (filed August 4, 1993)).

An evidentiary hearing was set for September 14, 1993 and the parties filed their respective *Motions* in anticipation of

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[1] On July 12, 1993, the *Motion For Temporary Restraining Order* was referred to the Magistrate Judge. Pursuant to Fed.R.Civ.P. Rule 65(a)(2), the undersigned recommends that the case be treated as if a trial on the merits, as more particularly set forth below.

that hearing and the evidence to be adduced as a result. The parties acknowledged that the central issue would be addressed by means of an evidentiary hearing on their respective cross-motions for judgment (Plaintiff raising the issue by means of its *Motion for Summary Judgment,* while Defendant raised the issue by means of its *Motion for Declaratory Judgment.*) The *Intermediate Scheduling and Discovery Order,* filed July 22, 1993 (docket # 3), sets forth the posture of the parties prior to the hearing as follows:

1. Plaintiff no longer seeks a Temporary Restraining Order or Preliminary Injunction. Plaintiff indicates that such a hearing would be futile, given the fact that its printer has already stopped production in response to a letter already sent by the Association. The "harm" sought to be protected against, in effect, having already occurred, Plaintiff does not seek to proceed with a Temporary Restraining Order or Temporary Injunction.

2. Plaintiff now seeks an evidentiary hearing on the ultimate question—that of the declaratory judgment.[2] Plaintiff's counsel requests a limited discovery period, followed by a prompt hearing, the court to decide, based on the presentation of evidence and stipulations of the parties, whether Plaintiff is entitled to declaratory relief, as sought.

3. Responsively, the Association wishes to raise a challenge to the court's jurisdiction. Additionally, the

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[2] Plaintiff states three claims: 1) Declaratory Judgment; 2) Tortious Interference with Contract; and 3) Injunctive Relief. The only issue on which Plaintiff wishes to proceed on an expedited basis is that of the question of declaratory relief. At the time of hearing Plaintiff no longer seeks injunctive relief. The issue, therefore, on which the court proceeds is that of declaratory relief, the remaining issues (Tortious Interference with Contract) to be tried, dependent, in-part on the outcome of the declaratory judgment question.

> Association seeks to file its own motion for injunctive relief, seeking to halt the production of the allegedly offensive "parody" cards. (*Order* at p. 1).

As a result, each party contemplated introduction of evidence to bear on the ultimate question—whether Cardtoons would be permitted to publish its "parody" cards, or, whether publication would be halted in the face of a court decision that "Cardtoons, L.C. (Cardtoons) is liable to MLBPA for infringement of its rights of publicity under Okla.Stat.Tit. 21 § 839.2 (1993), Okla.Stat.Tit. 12 § 1449(a), and Oklahoma common law." (MLBPA's *Motion for Declaratory Judgment,* filed August 13, 1993). The parties specifically tried the issue of "declaratory relief", *"the remaining issues to be tried, dependent, in-part, on the outcome of the declaratory judgment question."* (*Intermediate Scheduling and Discovery Order,* n. 2 at p. 1).

In sum, if the court finds that declaratory judgment should be granted to *either party,* this case is at an effective end. Cardtoons seeks a declaration that its cards do *not* infringe the MLBPA "rights of publicity", citing First Amendment protection, while the MLBPA seeks a declaration to the opposite effect—*i.e.*, that the cards *do* infringe; hence, are not subject to publication absent license.

Given the foregoing analysis, the undersigned recommends that the evidentiary hearing be, in fact, and as a matter of law, consolidated with the trial of the matter, as set forth in Rule 65(a)(2), *Federal Rules of Civil Procedure.* That *Rule* provides, in-part, as follows:

> Before or after the commencement of the hearing of an application for preliminary injunction, the court may order the trial of the action on the merits to be advanced and consolidated with the hearing of the application.

Here, the parties were prepared to go forward on the central issue, above, and, in fact, presented evidence in the form of

testimony of their respective principles and experts. The only issue "reserved" by Cardtoons is that of "damages".

The parties were advised that the hearing would address the core issue in the case *vis-a-vis* MLBPA's "right of publicity" versus Cardtoons' "right of publication". Accordingly, both parties had notice of the trial of the issues, and, in fact, fully participated in presentation of evidence, testimony and argument on the central question.

After conducting the evidentiary hearing, the undersigned finds that presentation of further evidence or witnesses would not materially assist the court or, in fact, provide any further information about the parties or the issue than is presently now before the court for decision.

Accordingly, while Plaintiff's pending *Motion for Summary Judgment* (docket # 11) and its *Motion for Temporary Restraining Order and Preliminary Injunction* (docket # 2), together with Defendant's *Motion for Declaratory Judgment* (docket # 17) raise the issues in this action, they are subsumed in the consolidation of the hearing with trial on the merits per Rule 65(a)(2), *infra.* This report and recommendation addresses the issues in the following order:

First, the report and recommendation advances the issues and addresses *consolidation* of the hearing with trial on the merits per *Rule 65(a)(2), Federal Rules of Civil Procedure.*

Second, the report and recommendation recites the facts of the case, together with the findings of fact of the court, as stipulated to by the parties and as found by the court.

Third, the report and recommendation deals with the jurisdictional issue raised by Defendant MLBPA in its *Motion to Dismiss.*

Fourth, the report and recommendation considers and makes recommendation on the merits of the action as presented by both parties.

Fifth, the report and recommendation addresses injunctive relief sought by MLBPA.

The facts of the case are initially set forth below.

II. PROCEDURAL HISTORY/FACTS

The dispute began when Plaintiff Cardtoons L.C., ("Cardtoons") a Tulsa-based company, designed "parody" trading cards of active major league baseball players. Cardtoons did not obtain either a license or consent from Defendant Major League Baseball Players Association ("MLBPA"). *(See, Joint Stipulation of Fact,* at p. 3, ¶ (10), appended hereto as "Exhibit A"). As a result, prior to full publication of the cards, the MLBPA sent Cardtoons and its printer a cease-and-desist letter. Cardtoons countered by filing its *Complaint for Declaratory Judgment* and *Application for Temporary Restraining Order and Preliminary Injunction.*[3]

The MLBPA is an unincorporated association that serves as the exclusive collective bargaining agent for all major league baseball players.[4] Since 1966, MLBPA has had a "group licensing program" where the Association acts as the

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[3] Cardtoons seeks to prevent the MLBPA from interfering with publication by invoking a First Amendment "right" to parody major league players and baseball. The MLBPA seeks injunctive relief, asking the court to *prevent* publication, reaffirming its "right of publicity". The ultimate issue is whether Cardtoons' alleged parody of the baseball players should receive First Amendment protection.

[4] The MLBPA's principal place of business is New York City. *See, Joint Stipulation of Fact*, at p. 1, ¶(2).

assignee of individual publicity rights for all active major league baseball players.[5]

In late 1992, J Fromm formed Cardtoons to produce trading cards featuring parodies of active major league baseball players. He subsequently contracted with several persons, including a well-known editorial cartoonist, a sports artist and a free-lance writer to draw and write text for the cards. Fromm called the company *Cardtoons, L.C.* ("Cardtoons"),

During the first six months of 1993, Cardtoons designed a set of 130 cards, 71 of which feature caricatures of active major league baseball players. The balance of the set includes 11 "political" cards, featuring no particular players, 10 "retired" player cards, 10 "Spectra" cards, 20 Big Bang Buck cards (which also feature facial caricatures of active players) and 8 "Standing" cards. *(See, Joint Stipulation of Fact,* p. 2, ¶ (9).) The company implemented a marketing plan and entered into contracts with a printer ("Champs") and a distributor ("TCM"). *(See, Joint Stipulation of Fact,* p. 3, ¶ (12).)

As a part of its marketing plan, Cardtoons placed an advertisement in the May 14, 1993 issue of *Sports Collectors Digest.* The advertisement "tipped off' MLBPA, prompting its attorney to write a letter to Cardtoons. Part of the June 18, 1993 letter read:

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[5] The MLBPA has entered into group licensing arrangements for a variety of products, including candy, cookies, cereals and baseball trading cards. In each case, the licensees were authorized to use the major league players' names and likenesses on or in connection with a product or service. In exchange, the licensee paid the MLBPA a royalty and/or a promotional fee. Revenues from the group licensing program are distributed to major league players in according with MLBPA policies. Currently, the MLBPA has licensed six companies for the manufacture and sale of baseball trading cards.

> It has come to our attention that you and others using the name "Cardtoons" re [sic] producing, advertising, distributing and selling color drawings of Major League baseball players in baseball trading card sets. Your use of the likenesses of active Major League baseball players in this manner is for your commercial benefit. Your activities violate the valuable property rights of MLBPA and the players. On behalf of MLBPA, we request that you and all other individuals associated with "Cardtoons" *immediately* cease and desist the production, promotion, distribution and/or sale of baseball trading cards depicting Major League baseball players . . . If I do not hear from you immediately confirming that you will agree to this request, I will have no alternative but to take all necessary action to enforce the rights of the playing [sic] and the MLBPA against infringement of their rights. *Exhibit 81.*

The MLBPA sent a similar letter to Champs (Cardtoons' printer). That letter, also sent on June 18, 1993, instructed Champs to "cease and desist the printing of baseball trading cards". *Exhibit 82.* Four days later, Cardtoons filed the instant lawsuit.

Cardtoons' *Complaint* seeks declaratory judgment pursuant to Chapter 22, Title 15 of the United States Court *(The Lanham Act).* Cardtoons also stated claims for tortious interference with contract and injunctive relief. MLBPA subsequently filed counterclaims and a request for declaratory judgment under 1) Okla.Stat. tit. 21 § 839.1; 2) Okla. tit. Stat. [sic] 12 § 1449(A); and 3) common law misappropriation. MLBPA did *not* file a claim under the Lanham Act.[6]

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[6] On August 4, 1993, MLBPA filed a *Motion To Dismiss* (docket # 6) on jurisdictional grounds. Cardtoons filed its *Motion For Summary Judgment* (docket # 11) on August 6, 1993.

During the evidentiary hearing, the following findings of fact were adduced:

1. Cardtoons is a commercial venture designed to make money for its principals. The 130 cards designed by the company are similar to traditionally published "baseball cards".[7] Cardtoons' stated objective is to inform, entertain and "make fun" of major league baseball players, baseball, and baseball cards.

2. Of the 130 cards designed by Cardtoons, 71 depict active major league players. Twenty (20) "Big Bang Buck" and ten (10) "Spectra" cards also feature caricatures of players' faces and humorous commentary about their careers. Despite changes in names, a reasonable person familiar with the sport can readily identify the players depicted on the cards. Identification is facilitated by similar names, the same Major League team colors and caricatures closely resembling likenesses of well-known major league baseball players. In addition to caricatures, the back of each of the foregoing cards includes commentary, humor and facts about the players and/or the sport of baseball.

3. Cardtoons does not have a license from MLBPA. Six other companies do have licenses from MLBPA. Those licensed companies (all of whom manufacture and sell baseball cards) produce an estimated $1.3 billion annually in sales.[8] MLBPA receives royalties from those

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[7] "Baseball cards" are printed on stiff cardboard paper stock, measuring 3.5" by 2.5", usually depicting a photograph or image of a major league baseball player on one side, and written information about the player on the reverse side.

[8] Notably, Topps Chewing Gum Company, Inc. is *not* licensed, yet is the largest card company in the country. It's special status exists as a result of the fact that it historically *preceded* the MLBPA, entering into *individual* contracts with players, hence is not required to be "licensed" by the MLBPA.

sales, which, in turn, are paid to the individual major league baseball players.

4. Judith Heeter, attorney and Director of Licensing for MLBPA, testified that the MLBPA would *not* license Cardtoons for the following reasons:

   (a) Due to what MLBPA perceives as a "glut" in the market, it does not make good business or economic sense to license additional card companies at this time;

   (b) Even if MLBPA were to decide to license another card company, there are other, more established companies than Cardtoons already on the "waiting" list; and

   (c) One of MLBPA's objectives is to *boost* the image and salaries of major league baseball players.

Heeter testified that she believes that Cardtoons' card product would *decrease* the image—not enhance it. Consequently, she testified that the MLBPA would *never* license a parody which poked fun at the players.

5. Judith Heeter further testified that the MLBPA does *not* object to parody of the sport generally, so long as individual players' likenesses are not used without their permission.

6. Cardtoons' printer is prepared to continue printing the cards and commitments to purchase some 3995 cases are already in hand.

7. The seventy-one (71) cards depicting major league baseball players, together with the twenty (20) "Big Band Buck" and ten (10) "Spectra" cards are *as a matter of fact,* "parodies" of the players they depict; at least insofar as the term "parody" is commonly understood.

8. The court adopts the *Joint Stipulation of Fact* entered into by the parties, and attaches the stipulation here as "Exhibit A".

The jurisdictional issue raised by MLBPA is addressed initially, below.

III. DEFENDANT'S MOTION TO DISMISS

The issue raised by MLBPA is whether "federal question" jurisdiction exists. According to Cardtoons' *Complaint,* the matter in controversy does *not* exceed $50,000 as is required for diversity jurisdiction. Indeed, no pleading invokes diversity jurisdiction and the question has not been raised by the parties. Since diversity jurisdiction is not pled under 28 U.S.C. § 1332, the question becomes whether jurisdiction exists under 28 U.S.C. § 1331.

Federal question jurisdiction emerges under two circumstances: (1) When federal law creates a cause of action; and (2) A substantial federal question springs from a state law cause of action. *W. 14th Street Commercial Corporation v. 5 W. 14th Owners Corporation,* 815 F.2d 188, 192 (2nd Cir.1987).

In a complaint for declaratory judgment such as this, the jurisdictional question is more complex. The posture of the parties is reversed. The issues raised in the *Complaint* are in large measure the *defenses* plaintiff would raise if defendant were to bring a coercive action against it. *Stop the Olympic Prison v. United States Olympic Committee,* 489 F.Supp. 1112, 1117 (S.D.N.Y.1980).

A declaratory judgment is complicated because the existence of a federal question raised as a *defense* does *not* suffice to bring an action under the district court's jurisdiction—even if the plaintiff's complaint anticipates the defense and incorporates the federal question. *Id., citing,*

Louisville & Nashville R.R. v. Mottley, 211 U.S. 149, 29 S.Ct. 42, 53 L.Ed. 126 (1908). Therefore,

> a court must look beyond the declaratory judgment allegations and determine whether a substantial federal question arises either from the *defendant's threatened action* or *from the complaint when viewed as a request for coercive relief apart from the defendant's anticipated suit.* (emphasis added) *W. 14th Street Commercial Corp.*, 815 F.2d at 194, citing *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 16 n. 14, 103 S.Ct. 2841, 2849 n. 14, 77 L.Ed.2d 420 (1983); and *Stone & Webster Engineering Corp. v. Ilsley*, 690 F.2d 323, 327-328 (2d Cir.1982).

In the case at bar, the pertinent jurisdictional facts are as follows: MLBPA sent Cardtoons a "cease-and-desist" letter threatening to "take all necessary action to enforce the rights of the playing [sic] and the MLBPA against *infringement* of their rights." (Emphasis added.) That letter, coupled with the fact that MLBPA had filed claims under the Lanham Act in similar cases (and could have in this one)[9], prompted Cardtoons to file a *Complaint* in this Court seeking a declaratory judgment "declaring that the Cardtoons Baseball Parody Cards do not violate the rights of publicity or other property rights of MLBPA . . . including any rights which the MLBPA or its members may claim to possess pursuant to Chapter 22, Title 15 of the United States Code." *Complaint,*

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[9] Cardtoons has attached two *Complaints* recently filed by MLBPA in other federal courts. On January 21, 1992, MLBPA sued Aggressive Management under the Lanham Trademark Act. *See, Exhibit A of Plaintiff's Brief* (docket # 19). A second case filed in a New Mexico district court also shows that MLBPA filed a counterclaim under the Lanham Act. *Id.* at "Exhibit B". The facts in those cases involved companies that were publishing books containing photographs of active major league baseball players.

page 3 (docket # 1). When MLBPA filed its *Answer,* it included only *state law* counterclaims.

After examining the pleadings as a whole, and upon conducting an evidentiary hearing, the undersigned finds federal question jurisdiction exists for three reasons.

First, MLBPA's "threatened action" is clear given its previous history and the letter: it would take *"all necessary action* to enforce the rights of the playing [sic] and the MLBPA against *infringement* of their rights." A threat of a Lanham Act claim is, under the circumstances, reasonably presumed and is similar to cases where a supposed patent infringer seeks a declaratory judgment that he has not interfered with the patentee's rights. *See, Bell & Beckwith v. United States, I.R.S.,* 766 F.2d 910, 913 (6th Cir.1985) *("federal question jurisdiction exists in suit that* anticipates *coercive action under various federal laws, including patent law").*[10] The fact that MLBPA could have filed such a claim (but declined to) does not defeat federal question jurisdiction.[11]

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[10] See, also, *W. 14th Street Commercial Corporation.* 815 F.2d at 195 where the court states:

"Yet, under *Franchise Tax Board,* the question is *not* whether the declaratory judgment defendant would necessarily bring a federal action, but rather if it brought an action would such an action necessarily have raised a federal question." Had MLBPA brought a trademark infringement claim or other claim under the Lanham Act that would certainly have raised a federal question. Plaintiff is *not* precluded from raising a Lanham Act question, given the preserve of a "case or controversy".

[11] By adopting MLBPA's argument, it would appear that any declaratory judgment defendant could avoid federal jurisdiction by simply not pleading a federal claim in its *Answer* and/or *Counterclaim.* Thus, as in this case, federal question jurisdiction would exist when Cardtoons' filed its *Complaint* asserting federal question jurisdiction under the Lanham Act. But when the defendant decided not to file the anticipated federal claim—whether it be for legitimate reasons or because of strategic reasons, federal jurisdiction would end. The Magistrate Judge also notes

Second, a substantial First Amendment question is at the heart of this case. Both the pleadings and the debate at the evidentiary hearing ardently illustrate the First Amendment significance of this dispute. The crucial inquiry, whether applying state law or the Lanham Act, is whether the First Amendment protects a for-profit company such as Cardtoons from publishing a parody of prominent professional athletes without their consent. *See, Complaint* (docket # 1) *and Plaintiff's Application For Temporary Restraining Order* (docket # 2).

In *Monks v. Hetherington,* 573 F.2d 1164, 1166 (10th Cir.1978), the court held that the "likelihood or even [the] probability" that a First Amendment defense will arise does not constitute a basis for federal question jurisdiction. In this case, however, the First Amendment is more than just a defense—it is an essential element of the litigation similar to the dispute in *Dworkin v. Hustler Magazine,* 611 F.Supp. 781, 784 (D.C.Wyo.1985).

In *Dworkin, Hustler* magazine published derogatory material about the plaintiff. Plaintiff then sued for libel and defamation. In addition, plaintiff asserted, that *Hustler* had used the First Amendment to "thwart [her] political and social activities . . . as well as silence her exercise of her right to free speech." *Id.* at 784. After examining the issue, the court wrote:

> The Court must conclude, however, that in order to properly assess plaintiffs' claim, it will be necessary to construe the First Amendment right of free speech and cases dealing with such rights. This case is distinguished from Monks [supra] . . . in which the First Amendment was invoked essentially as a defense in a declaratory

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that the facts here (i.e. MLBPA, in effect, shutting down Cardtoons' manufacturing and distribution of its product) is a clear "case or controversy".

> judgment case. Although defendants will certainly rely for a defense on the First Amendment, plaintiff does also . . . This clearly involves a dispute respecting the construction and effect of the First Amendment. *Id.* at 784-785.[12]

Here, Cardtoons did not specifically recite a First Amendment claim in its *Complaint* as did plaintiffs in *Dworkin.* The *Complaint,* however, coupled with Cardtoons' *Application For Temporary Restraining Order and Preliminary Injunction* is similar to *Dworkin* in that it involves a substantial First Amendment question. Furthermore, the First Amendment claim is made abundantly clear in light of the evidentiary hearing. In essence, Cardtoons asserts that it has a "First Amendment" right to parody, refuted by MLBPA. The MLBPA asserts that the players' "right of publicity" allows them to control commercial use of their likenesses, derogating any First Amendment claim to such right. As a result, this action involves a dispute "respecting the construction and effect of the First Amendment." [13] Third, and finally, the Second Circuit emphasized that "not every case or cause of action that knocks on the federal courthouse door gains entrance". *W. 14th Street Commercial Corporation,* 815 F.2d 188, 193 (2nd Cir.1987). The question here is whether to kick the parties back out the courthouse door. Judicial economy dictates

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[12] See, also, *Mountain Fuel Supply Co. v. Johnson,* 586 F.2d 1375, 1381 (10th Cir.1978) (A case arises under the Constitution of the United States if it clearly and substantially involves a dispute or controversy respecting the validity, construction or effect of the Constitution which is determinative of the resulting judgment.)

[13] While the *Complaint* fails to involve the First Amendment *per se,* the supporting pleadings, and entire focus of oral and evidentiary presentations focus on this fundamental principle; particularly as applied to the governing Oklahoma Statute, Title 12 O.S. § 1449.

against that result. The evidentiary hearing clearly raised fundamental "First Amendment" questions as a result of the parties' actions. Such questions, apart from invocation of the Lanham Act, confer jurisdiction upon the court in accord with 28 U.S.C. § 1331. Supplemental jurisdiction over state-law claims is exercised in accord with 28 U.S.C. § 1367.

Given the assertion of valid First Amendment concerns, as well as invocation of a valid "case or controversy" under the Lanham Act, the Magistrate Judge recommends that MLBPA's *Motion To Dismiss* be denied.

IV. DECLARATORY JUDGMENT

The central issue, as set forth above, focuses on the question whether MLBPA's "right to publicity" gives way to alleged First Amendment freedoms taking the form of parody (a so-called "right to publication"). The applicable Oklahoma state statute creating a "right of publicity" is found at 12 O.S. § 1449(A). The initial question is whether Title 12 O.S. § 1449(A) is violated by the proposed Cardtoons' parody.

A. Has Cardtoons Violated Tit. 12 Okla. Stat. § 1449(A)?

The "right to publicity" was recognized 40 years ago when two rival chewing gum manufacturers squabbled over "exclusive rights" to professional players' photographs. *Haelan Laboratories v. Topps Chewing Gum,* 202 F.2d 866, 868 (2d Cir.1953). In resolving the dispute, the Second Circuit concluded that a "man has a right in the publicity value of his photograph." *Id.* at 868. It wrote:

> It is common knowledge that many prominent persons (especially actors and ballplayers) . . . would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains, and subways. This right to publicity would usually yield them no money unless it could be made the subject of an

> exclusive grant which barred any other advertiser from using their pictures. *Id.*

Since that case, the right has been similarly acknowledged in most states either by common law or statute.[14] While courts have not uniformly applied the tort, most agree concerning the right's general purposes. First, the right to publicity recognizes the economic value of an individual's identity. Second, the publicity right is an incentive for creativity, encouraging the production of entertaining and intellectual works. Finally, the right prevents unjust enrichment of those who usurp the identity of another. *1989 Ann.Surv.Am.L. 211.* Wrote the Sixth Circuit:

> The right of publicity has developed to protect the commercial interest of celebrities in their identities. The theory of the right is that a celebrity's identity can be valuable in the promotion of products, and the celebrity has an interest that may be protected from the unauthorized commercial exploitation of that identity . . . The famous have an exclusive legal right . . . to control and profit from the commercial use of their name and personality. *Carson v. Here's Johnny Portable Toilets,* Inc., 698 F.2d 831, 835 (6th Cir.1983), citing [sic] in *Memphis Development Foundation v. Factors etc., Inc.* 616 F.2d 956 (6th Cir.1980).

In 1986, Oklahoma codified the "right of publicity" at 12 Okla.Stat. § 1449(A). The language, virtually identical to California law, reads:

> A. Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or services, . . .without such person's prior consent . . . shall be liable

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[14] Twelve states including Oklahoma have codified the "right to publicity."

> for any damages sustained by the person or persons injured as a result thereof, and any profits from the unauthorized use that are attributable to the use shall be taken into account in computing the actual damages . . .

To prove that § 1449(A) has been violated, MLBPA must show that Cardtoons has: (1) "knowingly" used MLBPA's "name" or "likeness"; (2) on "products, merchandise or goods"; (3) without MLBPA's prior consent. If MLBPA proves those elements, the "burden" shifts to Cardtoons to raise a valid defense.

Little question exists that Cardtoons "knowingly" set out to parody the "marquee" players of major league baseball. Both the testimony of Fromm and review of the cards make this virtually self-evident.

The next question is whether the cards contain the "likeness" and/or "name" of MLBPA players. While Oklahoma courts have not defined the word "likeness", "right to publicity" decisions by New York courts have interpreted the phrase "portrait or picture" as "any recognizable likeness." *Allen v. National Video, Inc.*, 610 F.Supp. 612, 622 (D.C.N.Y.1985).[15] Applying this analysis to the Oklahoma statute, the undersigned finds that "likeness" means "any recognizable likeness." [16]

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[15] Many cases involving the "right to publicity" tort involve interpretations of New York law. To make out a violation under sections 50 and 51 of the New York Civil Rights Law, a plaintiff must satisfy three distinct elements: (1) use of his or her name, portrait or picture, (2) for commercial or trade purposes, 3) without written permission. It should be noted that, while the rulings of the New York cases help guide the Court, the New York statute, in effect, includes both "right to privacy" and "right to publicity" claims. Oklahoma, on the other hand, has distinct statutes. Oklahoma's right to privacy statute appears at 21 Okla.Stat. § 839.1 while the right to publicity statute is at 12 Okla.Stat. § 1449.

[16] The *American Heritage Dictionary* defines "likeness" as: 1. The state or quality of resembling or being like something. 2. An imitative

In the case at bar, each of the 71 cards in question has a "recognizable likeness". Similarly, the 20 "Big Bang Buck" cards depict a "likeness" of the players' faces. First, the caricatures on each of the foregoing and ten (10) "Spectra" cards have identifying characteristics and/or features of the "real life" player they portray.[17] Second, in each case, the cards contain at least a part of the player's name.[18] Third, while the real team names are not used in the cards, the "parody" teams are easily linked to professional baseball franchises by color and nicknames.[19] In addition, in some cases, the text on the back of the card identifies the player discussed. Arguably, the caricature without the name would not be a "recognizable likeness". But a reasonable person, familiar with the sport, taking into account each of the

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appearance; semblance. 3. A pictorial, graphic, or sculptured representation of something; image. See, also, *Jacqueline K. Onassis v. Christian Dior,* 122 Misc.2d 603, 472 N.Y.S.2d 254, 258- 259 (N.Y.1984) (Broad interpretation of New York right to privacy statute).

[17] For example, San Francisco Giants outfielder Barry Bonds wears an earring. The caricature of "Treasury Bonds" also has an earring and, in fact, bears resemblance to the real player Bonds. The same holds true for St. Louis Cardinal shortstop Ozzie Smith, whose trademark is doing back flips when he walks on to the field. "Ozzie Myth" is shown doing a backflip on the Cardtoons' card. Cards featuring "Fowl Boggs" (resemblance to Wade Boggs) and "Cloud Johnson" (play on Seattle Mariners' pitcher Randy Johnson's height of 6-foot-l0) are other examples.

[18] Chicago Cubs' first baseman Mark Grace is dubbed "Amazing Grace." San Diego outfielder Tony Gwynn is called "Tony Twynn". Baltimore Orioles' shortstop Cal Ripken is named "Cal Rip-kenwinkle." New York Yankees' first baseman Don Mattingly is described as "Don Battingly".

[19] The St. Louis Cardinals are renamed the "Credit Cards" and clad in the same colors as the real major league team. The Los Angeles Dodgers are called the Codgers, The Seattle Mariners are the "Mari-Nerds". The Texas Rangers are the "Strangers" and so on.

foregoing factors in combination with the others can readily identify the real players "parodied" on Cardtoons's cards.

Of further note is the holding in *Ali v. Playgirl,* 447 F.Supp. 723 (S.D.N.Y.1978). In that case, *Playgirl* magazine published a portrait of a nude black man seated in the corner of a boxing ring. The picture was captioned the "Mystery Man", but the man was referred to as "the Greatest." The court wrote:

> Even a cursory inspection of the picture . . . strongly suggests that the facial characteristics of the black male portrayed are those of Muhammad Ali . . . in addition, the figure depicted is seated on a stool in the corner of a boxing ring with both hands taped and outstretched resting on the ropes on either side. Although the picture is captioned the "Mystery Man", the identification of the individual as Ali is further implied by an accompanying verse which refers to the figure as "the Greatest." This court may take judicial notice that plaintiff Ali has regularly claimed that appellation for himself and that his efforts to identify himself in the public mind as "the Greatest" have been so successful that he is regularly identified as such in the news media. *Id.* at 726-727.

Even cursory inspection of the cards subject of this action suggests they are even more identifiable than the picture in *Ali.* Accordingly, the undersigned finds, as a matter of fact, and as a determination of law, the instant 101 cards depict a "likeness" as the term is used in Title 12 O.S. § 1449(A).

Finally, the third element of the statute is satisfied by the stipulation of the parties that MLBPA has *not* consented to Cardtoons' use of the major league players' likenesses.[20] In sum, notwithstanding any First Amendment defense,

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[20] Judith Heeter also testified in no uncertain terms that no consent was given by MLBPA.

Cardtoons' prospective use of players' likenesses on its cards is violative of subsection A of § 1449 if the cards are *sold* as a commercial product.[21]

Therefore, the central issue is whether Cardtoons has a defense under either subsections (D) or (E) of § 1449, or, under the First Amendment to the United States Constitution. Subsection (D) states:

> For purposes of this section, a use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign, shall not constitute a use for which consent is required under subsection A . . .

Subsection (E) reads:

> The use of a name, voice, signature, photograph, or likeness in a commercial medium shall not constitute a use for which consent is required under subsection A of this section solely because the material containing such use is commercially sponsored or contains paid advertising. Rather it shall be a question of fact whether or not the use of the person's name . . . or likeness was so directly connected with the commercial sponsorship or with the paid advertising to constitute a use for which consent is required under subsection A of this section.

Neither of the subsections help Cardtoons. Cardtoons' commercial venture is *not* "in connection with any news, public affairs, or sports broadcast or account or political campaign." Furthermore, the evidence at the hearing established that the company's use of the players' likenesses is "directly connected" with their proposed commercial

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[21] Again, little question exists as to this point. The evidence amply demonstrates that the cards (either in "wax packs", boxes or cases) are to be widely marketed, and *sold* at retail for profit. For further discussion, see the recitation of "facts" *supra*, and the *conclusion, infra.*

endeavor; *i.e.* the players were selected to parody because of their popularity and public appeal.[22]

B. Other (Non-Parody) First Amendment Defenses to § 1449(A)[23]

MLBPA asserts that no defenses outside what is expressly stated in § 1449 apply. *See, United States v. Goldbaum,* 879 F.2d 811, 813 (10th Cir.1989) ("As a general principle of statutory interpretation, if a statute specifies exceptions to its general application, other exceptions not explicitly mentioned are excluded"), citing *United States v. Jones,* 567 F.2d 965, 967 (10th Cir.1977). Case law suggests, however, that other First Amendment defenses do exist beyond those in the statute.[24] Accordingly, these are discussed, below.

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[22] Arguably, subsection D encompasses the "newsworthiness", exception discussed below. In addition, subsection E appears to contemplate the issue of "incidental use", also explained below.

[23] The interplay of the First Amendment and the "right to publicity" has been the subject of many law journal articles. For example, see, James Barr Haines, *First Amendment II: Developments In The Right of Publicity,* 1989 Ann.Surv.Am.L. 211 (1990); Peter L. Fencher and Edward L. Rubin, *Privacy, Publicity, and the Portrayal of Real People by the Media,* 88 Yale L.J. 1560 (1979) and Pamela Samuelson, *Reviving Zacchini: Analyzing First Amendment Defenses In Right of Publicity and Copyright Cases,* 57 Tul.L.Rev. 836 (1983).

[24] Courts have fashioned such defenses, in part, because of the inherent tension between the First Amendment and the "right to publicity," *See,* for example, *Titan Sports v. Comics World Corp.,* 870 F.2d 85, 88 (2nd Cir.1989) ("A court must be ever mindful of the inherent tension between the protection of an individual's right to control the use of his likeness and the constitutional guarantee of free dissemination of ideas, images and newsworthy matters in whatever form it takes.") *Also, see Rosemont Enterprises v. Random House,* 58 Misc.2d 1, 294 N.Y.S.2d 122, 129 (N.Y.1968) ("Just as a public figure's right of publicity must yield to the public interest so too must the right of publicity bow where such conflicts with the free dissemination of thoughts, ideas, newsworthy events, and matters of public interest.").

The "newsworthiness" defense, while not uniformly defined by the courts, is said to be "the use of a person's name or picture in the context of an event within the orbit of public interest and scrutiny." *Ann-Margret v. High Society Magazine, Inc.*, 498 F.Supp. 401 (S.D.N.Y.1980). Even matters of "entertainment and amusement, concerning interesting phases of human activity" are considered newsworthy. *Id.*

A successful use of the "newsworthiness" defense is found in *Paulsen v. Personality Posters, Inc.*, 59 Misc.2d 444, 299 N.Y.S.2d 501 (N.Y.1968). In that case, actor Pat Paulsen of the Smothers Brothers television show jokingly announced his intention to run for President of the United States. Paulsen then licensed a California company to sell campaign buttons, stickers and posters "promoting" the "Pat Paulsen for President" campaign. Defendant, however, began *selling* posters that were not licensed by and/or consented to Paulsen.

The New York Supreme Court ruled that defendant did *not* violate Paulsen's right of privacy. The court stated that Paulsen had "projected himself into the national political scene" and, as a result, the poster was "sufficiently relevant to a matter of public interest to be a form of expression which is constitutionally protected and deserving of substantial freedom." *Id.* 299 N.Y.S.2d at 507. In the decision, the court also discussed the concept of newsworthiness:

> It was early held that newspapers, magazines, and newsreels are exempt from the statutory injunction when using a name or picture in connection with an item of news or one that is newsworthy and such privileged status has also been extended to other communications media including books, comic books, radio, television and motion pictures . . . Indeed, it is clear that any format of the 'written word or picture' including posters and handbills will be similarly exempted in conjunction

with the dissemination of news or public interest presentations.

> The scope of the subject matter which may be considered of 'public interest' or 'newsworthy' has been defined in the most liberal and far reaching terms. The privilege of enlightening the public is by no means limited to dissemination of news in the sense of current events but extends far beyond to including all types of factual, educational and historical data, or even entertainment and amusement, concerning interesting phrases of human activity in general. *Id.* at 506.[25]

A second First Amendment defense discussed by courts is that of "incidental use." The incidental use exception was recognized by a New York court where a newspaper advertisement for a magazine reprinted a news-related photograph from one of the magazine's earlier issues. The court recognized that the advertising was "incidental" to the original, newsworthy publication. *Booth v. Curtis Publishing,* 11 N.Y.2d 907, 228 N.Y.S.2d 468, 182 N.E.2d 812 (1962). *Also, see, Namath v. Sports Illustrated,* 48 A.D.2d 487, 371 N.Y.S.2d 10 (1st Dept.1975) (Use of athlete's photograph was "merely incidental" to advertising of magazine, which had carried articles about him); *Lawrence v. A.S. Abell Company,* 299 Md. 697, 475 A.2d 448 (Ct. App.1984) (Use of photos of children at public festival held incidental and newsworthy); and *Velez v. VV Publishing Corporation,* 135 A.D.2d 47, 524 N.Y.S.2d 186 (N.Y.1988).

The First Amendment defense as raised in a "right to publicity" case was examined by the United States Supreme Court in *Zacchini v. Scripps-Howard Broadcasting,* 433 U.S. 562, 573, 97 S.Ct. 2849, 2856, 53 L.Ed.2d 965 (1977). That

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[25] Also, *see, Hicks v. Casablanca Records,* 464 F.Supp. 426 at 427 (S.D.N.Y.1978) ("First Amendment protection usually accorded novels and movies outweighs whatever publicity rights plaintiffs may possess.")

case involved a free-lance reporter who videotaped Hugo Zacchini's "human cannonball" act. The 15-second tape of Zacchini's entire act was then broadcast on the 11 p.m. news. Zacchini gave no permission for the recording, nor did he receive any compensation. The entertainer sued, claiming the television station violated his "right to publicity."

The Court described the "right of publicity" as "closely analogous to the goals of patent and copyright [laws] focusing on the right of the individual to reap the reward of his endeavors." *Id.*, 433 U.S. at 573, 97 S.Ct. at 2856. The Court acknowledged that "entertainment" as well as "news" enjoyed First Amendment protection, but also stated:

> It is evident . . . that petitioner's state-law right of publicity would not serve to prevent respondent from reporting the newsworthy facts about petitioner's act. Wherever the line in particular situations to be drawn between media reports that are protected and those that are not, we are quite sure that the First and Fourteenth Amendments do not immunize the media when they broadcast a performer's entire act without his consent. The Constitution no more prevents a State from requiring respondent to compensate petitioner for broadcasting his act on television than it would privilege respondent to film and broadcast a copyrighted dramatic work without liability to the copyright owner. *Id.* at 574-575, 97 S.Ct. at 2857.

Zacchini, in effect, concluded that the media could not air a performer's "entire act" without compensation. Such a ruling, while recognizing the tension between the First Amendment and the right of publicity, did little to clarify the issue. *See, Rubin*, supra, ("So long as the relationship between the right of publicity and the First Amendment is not confronted directly, inconsistent holdings are virtually inevitable.") As a result, it is unclear when courts should apply First Amendment defenses in this arena.

Despite the murky picture, the following guidelines have materialized. Most courts conclude that the "use" of another's identity by a traditional medium such as television, newspapers, magazines or books will be protected by the First Amendment defenses of either "newsworthy" or "incidental use." On the other hand, if a *commercial product* uses the individual's identity for profit, First Amendment protection dissipates.[26] Some courts bypass the "use" analysis and attempt to balance the two interests. As one commentator writes,

> Most courts have focused their analyses of the conflicting doctrines on whether the use of the identity was a purely commercial use or a protected free speech use. The concepts of "commercial" use and protected (or newsworthy) "free speech" [sic] use, however, present significant problems because no uniform definition of "commercial use" has emerged from the case law . . . other courts have resolved conflicts between the two doctrines by balancing the interests protected by the right of publicity against the interests protected by the First Amendment. *Haines, supra.*

In this case, the facts show that Cardtoons has neither a "newsworthiness" or an "incidental use" defense *(i.e.,* the product is *not* a newspaper or magazine or other traditionally protected medium and does not "incidentally" reference the players.) This conclusion rests, in part, on the fact that Cardtoons' overriding purpose is commercial. The company's very use of the players' likenesses is, in fact, the end result—the "product". It desires to *sell the parody.*

The evidence shows that the company's entire marketing and packaging scheme mirrors that of any commercial

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[26] In *Paulsen,* while *posters* were *sold,* the court found that *the activity* (not just the publication) was to be protected as *political* speech, albeit in a commercial context. *Paulsen* is an anomalous result in this sense.

collectible trading card companies. Consequently, there is little doubt in the undersigned's mind that "the use of the identity" was for a "purely commercial" purpose.

Despite the "commercial" finding, one issue remains: *Is there a First Amendment "parody" defense for a commercial product under a balancing approach?* Or, put simply, can one *sell* a parody? No case has been found in which a First Amendment "parody" defense was successful as against a "right to publicity" claim.

However, other cases certainly suggest that such a defense is feasible. For example, parodies are generally protected by the First Amendment for non-commercial uses in a traditional medium. In addition, the "parody" defense has been recognized in trademark and copyright infringement cases. Brief overview of those cases is important.

C. Parody As A First Amendment Defense By Traditional Media

For the most part, parody in a traditional form such as a political cartoon has always received First Amendment protection.[27] The United States Supreme Court examined the issue when *Hustler Magazine* published a "parody" advertisement featuring the likeness and name of Rev. Jerry Falwell. *Hustler Magazine v. Falwell,* 485 U.S. 46, 108 S.Ct. 876, 99 L.Ed.2d 41 (1988). The parody portrayed Falwell and his mother as drunk and immoral, suggesting that the

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[27] The *American Heritage Dictionary* defines "parody" as "the literary or artistic work that broadly mimics an author's characteristic style and holds it up to ridicule." The Oxford English Dictionary describes the term as "a composition in which the characteristic turns of thought and phrase of an author are mimicked to appear ridiculous, especially by applying them to ludicrously inappropriate subjects." Parody also dates back as far as Greek antiquity, done historically by persons such as Chaucer, Shakespeare, Voltaire, Hemingway and Faulkner. *See, generally, L.L. Bean v. Drake Publishers, Inc.*, 811 F.2d 26, 27 (1st Cir.1987).

reverend was a hypocrite who preaches only when drunk. The advertisement prompted Falwell to sue *Hustler* for invasion of privacy, libel, and intentional infliction of emotional distress

Falwell argued that the State's interest in protecting public figures from emotional distress overrides First Amendment protection to speech that was patently offensive and intended to inflict emotional injury. The Supreme Court rejected that argument:

> Were we to hold otherwise, there can be little doubt that political cartoonists and satirists would be subjected to damages awards without any showing that their work falsely defamed its subject. Webster's defines a caricature as the deliberate distorted picturing or imitating of a person, literary style, etc. by exaggerating features or mannerisms for satirical effect.' [sic] . . . The appeal of the political cartoon or caricature is often based on exploitation of unfortunate physical traits or politically embarrassing events—an exploitation often calculated to injure the feelings of the subject of the portrayal. *Id.* at 53-54, 108 S.Ct. at 881.

The Court acknowledged that First Amendment protection is limited in cases involving obscenity and "fighting words" and recognized "that not all speech is of equal First Amendment importance." *Id.* at 56, 108 S.Ct. at 882. It concluded, however, that "the publication of a caricature such as the ad parody" was protected by the First Amendment. *Id.* at 57, 108 S.Ct. at 883.

While *Hustler* recognized a First Amendment protection for a "parody" advertisement in a magazine (i.e. traditional medium). It did not address the question of whether First Amendment parody protection should extend beyond the "traditional" or "non-commercial" medium. Consequently,

other courts have grappled with the issue in commercial settings, especially in the areas of trademark and copyright.

D. Parody As a Final Amendment Defense in Trademark Cases

The trademark issue analogous to a "right of publicity" right case stems from the Lanham Act, which prohibits the unauthorized use of a reproduction, copy, or imitation of a registered trademark in a way that "is likely to cause confusion" with the registered mark. 15 U.S.C. § 1114(1)(a).[28] Such confusion occurs when consumers make an "incorrect mental association between the involved commercial products or their producers." *San Francisco Arts & Athletics Inc. v. United States Olympic Committee*, 483 U.S. 522, 107 S.Ct. 2971, 2995, 97 L.Ed.2d 427 (1987) (Brennan, J. dissenting). Also, see, generally *Jordache Enterprises Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1483 (10th Cir.1987).

Nearly every court dealing with a Lanham Act claim involving a parody struggles with the First Amendment implications. In *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2nd Cir.1979), the Court found little First Amendment protection. "Trademark is a property right," the court wrote, "[and] it need not yield to the . . . First Amendment . . . under circumstances where adequate alternative avenues of communication exists." But most courts have adopted something akin to a balancing test. *See, Girl Scouts v. Bantam Doubleday*, 808 F.Supp. 1112, 1118 (S.D.N.Y.1992) ("The owner of a trademark does not

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[28] A growing number of judges and commentators have sought to extend First Amendment protection to noncommercial use of trademarks. *See, Jordache*, supra, footnote 7. But the question here, as in *Jordache*, involves a commercial product.

possess a property right that is superior to the First Amendment right accorded to artistic expression").

For example, in *Rogers v. Grimaldi,* 875 F.2d 994, 997 (2nd Cir.1989), actress Ginger Rogers filed a Lanham Act claim against the producers of the film "Ginger and Fred." The movie was not about Ginger Rogers, but featured two Italian cabaret performers who imitated Ginger Rogers and Fred Astaire. Ginger Rogers contended the title of the film created the impression that she was the subject of the film or had endorsed it. The court rejected Rogers' claim, finding that "The [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression." *Id.* at 999.

The Second Circuit in *Cliffs Notes v. Bantam Doubleday Dell Publishers Group,* 886 F.2d 490 (2nd Cir.1989) adopted the balancing test used in *Rogers.* The Lanham Act controversy there began when Bantam published *Spy Notes,* a one-time double parody of *Spy Magazine* and *Cliffs Notes. Spy Notes* admittedly copied prominent features of *Cliffs Notes* to make it an effective parody. As a result, prior to its distribution, *Cliffs Notes* filed suit, claiming consumers would think it published *Spy Notes.* The district court enjoined *Spy Notes* from being disseminated.

On appeal, the Second Circuit vacated the injunction. Calling parody a "form of artistic expression protected by the First Amendment", it emphasized that "parody and satire are deserving of substantial freedom—both as entertainment and as a form of social and literary criticism." *Id.* at 493. (citing *Berlin v. E.C. Publications, Inc.,* 329 F.2d 541, 545 (2d Cir.1964.) The court, however, acknowledged that the First Amendment is limited in trademark cases. "Trademark protection is not lost simply because the allegedly infringing use is in connection with a work of artistic expression." *Id.,*

citing Silverman v. CBS Inc., 870 F.2d 40, 49 (2nd Cir.1989). Wrote the court:

> Conflict between the two policies is inevitable in the context of parody, because the keystone of parody is imitation. It is hard to imagine, for example, a successful parody of Time magazine that did not reproduce Time's trademarked red border. A parody must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and is instead a parody. To the extent that it does only the former but not the latter, it is not only a poor parody but also vulnerable under trademark law since the customer will be confused. *Id.* at 494.

In deciding that the First Amendment right to parody outweighed the "public interest in avoiding consumer confusion", the court found that it was unlikely that consumers would confuse *Spy Notes* with *Cliffs Notes*. The courts emphasized that *Spy Notes*, although a parody, differed from *Cliffs Notes* in many ways: different colors on the front and back covers, *Spy Notes* cost twice as much, *Cliffs Notes* summarized the "great books" while *Spy Notes* did not and that *Spy Notes* was plainly marked as a "satire". *Id.* at 496.

The Tenth Circuit addressed the "trademark parody" issue when a New Mexico company began selling designer blue jeans to large women. On the back of the jeans, the company, Oink Inc., identified its jeans with a smiling pig and the word "Lardashe" on the seat of the pants. Jordache Enterprises, Inc. sued, alleging a Lanham Act violation. The district court denied Jordache's "likelihood of confusion" claim, and the Tenth Circuit affirmed. *Jordache Enterprises, Inc.*, 828 F.2d at 1482.

The Tenth Circuit stated that no "likehood of confusion" existed, in part, because "where a party chooses a mark as a parody of an existing mark, the intent is not necessarily to

confuse the public but rather to amuse." *Id.* at 1485. The court explained:

> In one sense, a parody is an attempt to derive benefit from the reputation of the owner of the mark . . . if only because no parody could be made without the initial mark. The benefit to the one making the parody, however, arises from humorous association, not from public confusion as to the source of the marks. A parody relies upon a difference from the original mark, presumably a humorous difference, in order to produce its desired effect. *Id.* at 1486.

In denying Jordache's claims, the Tenth Circuit recognized a First Amendment right of parody but also noted that, "where two marks are confusingly similar, or where there is evidence of actual confusion, a likelihood of confusion can exist despite the intent to create a parody." *Id.* at 1486. *See, also, Nike Inc. v. Just Did It,* 6 F.3d 1225 (7th Cir.1993) ("Parody defense enough to overcome summary judgment motion") and *Black Dog Tavern Co. v. Hall,* 823 F.Supp. 48 (D.Mass.1993).

Jordache and the other trademark cases do not paint a clear picture of when parodies used in commercial settings should receive First Amendment protection, but three methods of analysis surface. Some courts recognize parody as an affirmative defense to a Lanham Act claim. Others balance the rights of trademark owners against First Amendment concerns. Still other courts hold that "parody is not a defense to trademark infringement, but rather is another factor to be considered in the likelihood of confusion equation." *Schieffelin & Co. v. Jack Co. of Boca,* 725 F.Supp. 1314, 1323 (S.D.N.Y.1989).[29] No matter the analysis used, most of

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[29] Given the foregoing, and upon close reading of *Jordache, supra,* it appears the Tenth Circuit follows this analysis, treating the parody as another factor in the "likelihood of confusion" decision.

the cases reviewed by the undersigned suggest that courts seldom allow First Amendment concerns to override the property rights of a trademark owner in a *commercial* setting.[30]

E. Parody As A First Amendment Defense in Copyright Cases

The "parody" analysis in copyright cases is generally treated under the broader concept of "the fair use doctrine". *Tin Pan Apple, Inc. v. Miller Brewing Co., Inc.*, 737 F.Supp. 826 (S.D.N.Y.1990).[31] Whether a particular work qualifies as fair use requires consideration of the following four elements:

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[30] For example, see, generally, *Chemical Corp. of America v. Anheuser-Busch*, 306 F.2d 433 (5th Cir.1962) (floor wax and insecticide maker's slogan harmed strength of defendant's slogan); *Original Appalachian Artworks, Inc. v. Topps Chewing Gum*, 642 F.Supp, 1031 (N.D.Ga.1986) (merchandiser of "Garbage Pail Kids" stickers and products injured owner of Cabbage Patch kids mark); *General Electric Co. v. Alumpa Coal Co.*, 205 U.S.P.Q. 1036 (D.Mass.1979) ("General Electric" monogram on underpants and T-shirts harmful to plaintiff's trademark) and *Coca-Cola Co.* v. *Gemini Rising, Inc.*, 346 F.Supp. 1183 (E.D.N.Y.1972) (enjoining the merchandise of "Enjoy Cocaine" posters bearing logo similar to plaintiff's mark.) The trademark cases are similar to the "use" analysis in right to publicity issues. Unauthorized commercial use of trademark parodies is generally prohibited while trademark parody in a non-commercial, traditional medium is often protected. See, generally, *L.L. Bean*, 811 F.2d at 31.

[31] Whatever legal meaning parody may have in other contexts . . . in copyright law parody forms a part of the broader concept of fair use. Section 101 of the 1976 Copyright Act Revisions, 17 U.S.C. § 107 . . . . provides in part that the fair use of a copyrighted work . . . for purposes such as criticism, comment . . . is not an infringement of copyright . . . Under the "fair use" doctrine . . . courts have allowed the taking of words or phrases when adapted for use as commentary or parody . . . The parody branch of the fair use doctrine is itself a means of fostering the creativity protected by the copyright law. It also balances the public interest in the free flow of ideas with the copyright holder's interest in the exclusive use of his work. *Id.* at 828-829.

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market or value of the copyrighted work.

Courts analyzing "parody" issues under copyright law follow approaches similar to that found in trademark and "right to publicity" cases. A *noncommercial* use of a parody is more likely to receive protection than one designed for *commercial* profit. Illustrative is *Tin Pan Apple,* where a commercial for Miller Brewing Co. featured look-a-likes (and sound-a-likes) of the "Fat Boys".[32] The Fat Boys sued for copyright infringement. In analyzing the case, the court noted:

> The alleged copyright infringers in *Elsmere* [*Music, Inc. v. National Broadcasing Co.,* 623 F.2d 252 (2d Cir.1980)] and *Berlin* were a comedy television program and a comic [Mad] magazine: both vehicles for the expression of that creative flow of ideas which the Second Circuit identified in *Warner Brothers* [*Inc. v. American Broadcasting, Inc.,* 720 F.2d 231 (2d Cir.1983)] as the justification for the parody branch of the fair use doctrine. But there is ample authority for the proposition that appropriation of copyrighted material solely for personal profit, unrelieved by any creative purpose, cannot constitute parody as a matter of law. *Id.* at 830.

The court in *Tin Pan Apple* also cites *Original Appalachian Artworks v. Topps Chewiag Gum,* 642 F.Supp. 1031 (N.D.Ga. 1986). In that case, Topps, a chewing gum manufacturer,

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[32] A "rap" group.

began distributing "Garbage Pail Kids" stickers and chewing gum cards. Plaintiff, who marketed "Cabbage Patch Kids" brought a copyright action. Topps raised a fair use, parody defense, which was *rejected* by the court because "the primary purpose behind the defendant's parody is *not* an effort to make a *social comment* but is an attempt to make money." *Id.* at 1034.

A third case illustrative of the copyright analysis of parody is *Acuff-Rose Music, Inc. v. Campbell,* 972 F.2d 1429 (6th Cir.1992).[33] The "2 Live Crew", a rap music group, released for commercial distribution a version of Acuff-Rose's copyrighted song "Oh, Pretty Woman". Acuff-Rose sued the group for copyright infringement. The district court granted summary judgment, holding that the "2 Live Crew" had created a parody that was a non-infringing "fair use" of the song. The Sixth Circuit reversed. Part of the analysis focused on the first prong of the "fair use" test:

> In the instant case . . . "2 Live Crew's" song is included on a commercially distributed album sold for the purpose of making a profit and that [its] primary goal in releasing 'As Clean As They Wanna Be' is to sell its music . . . We agree that commercial purpose is not itself controlling on the issue of fair use, but find the district court placed insufficient emphasis on the command of *Harper & Row* [*Publishers v. Nation Enterprises,* 471 U.S. 539, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985)], wherein the Supreme Court expressly reaffirmed its earlier holding that *every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright* [471 U.S. at 562, 105 S.Ct. at 2231]. *Id.* at 1436-1437. (Emphasis added.)

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[33] The Supreme Court has granted certiorari in this case. *Campbell v. Acuff-Rose,* —U.S. —, 113 S.Ct, 1642, 123 L.Ed.2d 264 (1993).

The court found that the "2 Live Crew" song was *not* "fair use" of the original "Oh, Pretty Woman." Wrote the court: "It is the blatantly commercial purpose of the derivative work that prevents the parody from being a fair use." *Id.* at 1439.

F. Summary of Decisional "Parody" Defenses

The foregoing analyses, while illustrative and not exhaustive, are nonetheless instructive: First, parodies used in a traditionally non-commercial medium such as a newspaper, magazine, television program, book or movie will likely be granted First Amendment protection. Second, though the issue is not finally resolved, several cases suggest that *non-commercial* parodies of trademarks and copyrights are more likely to receive First Amendment protection than their *commercial* counterparts. Third, trademark parody used in a *commercial* context (i.e. products, goods, etc.) will, as a general rule, *not* receive First Amendment protection. Exceptions to this rule are illiustrated, however, by the *Jordache* and *Nike* cases. Lastly, the First Amendment will *not* suffice as a defense where the alleged copyright infringer's parody is *purely commercial.*

In sum, while case law is fluid, trademark and copyright cases generally engage a "balancing" test where the "use" of the parody is given considerable weight (i.e., is it non-commercial or commercial? Traditional medium or commercial product?). Such an approach, interestingly enough, is quite similar to the "right to publicity" cases.

G. Does Cardtoons Have a "Parody" Defense?

In the final analysis, the question is whether Cardtoons, undeniably having created an attractive and appealing product, can claim First Amendment protection for its *"Baseball Parody Cards"* as a "parody". The answer, reached upon analysis under either a "use" or, "balancing" test, is the same. Each is discussed below.

(1) "Use" Analysis

If anything is plain in this case, "the primary purpose behind the Defendant's parody is not an effort to make a social comment but is an attempt to make money". Its purpose is to parody the marquee names and likenesses of Major League Baseball in order to sell its "trading cards."[34] Cardtoons' marketing scheme is virtually identical to that of other baseball trading card companies and, in effect, is no different. Cardtoons' "parody cards" are a commercial "product" such as has historically received little First Amendment protection.

The cards do *not* take the form of or make use of a traditional medium, such as a newspaper, magazine, book, film or television program. Such forums have traditionally been afforded significant First Amendment protection. Not so with commercial products. Given the evidence in this case, Cardtoons' *"Baseball Parody Cards"* are commercial products, not traditional media.

(2) The "Balancing" Analysis

Parody and satire are deserving of "substantial freedom—both as entertainment and as a form of social and literacy criterion." *Berlin v. E.C. Publications,* 329 F.2d 541, 545 (1964). In addition, "a court must be ever mindful of the inherent tension between the protection of an individual's right to control the use of his likeness and the constitutional guarantee of free dissemination of ideas, images and newsworthy matter in whatever form it takes." *Titan Sports, Inc. v. Comics World Corp.,* 870 F.2d 85, 88 (1989).

In this case, Cardtoons' "right to parody" focuses on Major League Baseball. Baseball, as "America's pastime", is without doubt, newsworthy. Its players, especially the ones

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[34] Secondarily, it can also be said that Cardtoons seeks to "parody" the traditional "baseball card" product itself.

featured by Cardtoons, are well-known public figures. In addition, Cardtoons' "parody" cards are entertaining, humorous, and stimulate discussion about national issues facing professional baseball (e.g., skyrocketing salaries).

However, as first discussed in *Haelan* and affirmed by every court since, a professional baseball player has a "valuable property right in his name, photograph and image and . . . he may sell these property rights." *Cepeda v. Swift,* 415 F.2d 1205, 1206 (8th Cir.1969). Such a right, codified by the Oklahoma legislature, exists for three reasons:

(1) Recognizing the economic value of an individual's identity;

(2) Acting as an incentive for creativity by encouraging the production of entertaining and intellectual works; and

(3) Preventing unjust enrichment of those who usurp the identity of another.

In this case, allowing Cardtoons to profit from the "economic value" of the MLBPA players without returning just compensation is *contra* the plain meaning of the Oklahoma statute; and ultimately, the policies which accord a cause of action in support of the "right of publicity."

Cardtoons' "expression" or "speech" is *commercial.* The Constitution "accords a lesser protection to commercial speech than to other constitutional guarantees of expression." *Central Hudson v. Public Service Commission,* 447 U.S. 557, 563, 100 S.Ct. 2343, 2350, 65 L.Ed.2d 341 (1980). While a company "enjoys the full panoply of First Amendment protection for its direct comments on public issues, there is no rationale for providing similar constitutional protection when such statements are made only in the context of commercial transactions." *Id.* at 563, n. 5, 100 S.Ct. at 2349, n. 5. Cardtoons' commercial speech is, in essence, a product—a

fact serving to further water down its First Amendment right to parody.[35] That is, it seeks to *sell* the very thing it now calls "speech". Balancing Cardtoons' right to publish and sell its product versus the players' rights of publicity on the fulcrum of the First Amendment finds the scales weighing in favor of the players. If profit is to be derived from the endeavor, it properly belongs to the players, not Cardtoons' for it is the players likeness and fame which brings the profit.

H. Summary

For purposes of declaratory judgment, the bottom line is this: Cardtoons has the First Amendment right to "parody" Major League Baseball players in a *non-commercial* venue. It could simply disseminate the cards without charge or, with a few minor revisions, Cardtoons could parody the sport (and its players) in a traditional forum such as a book or magazine. It could even do so in its present form (cards) if the players' "likenesses" were not evident. First Amendment rights end, however, when Cardtoons preys on the MLBPA's names and likenesses for purely commercial purposes. Indeed, the singular reason for using the players' likenesses and/or names is to entice the consumer to purchase the product. Without such likenesses and names, the profit potential dwindles. As one court aptly said:

> Let the word go for there is no free ride—the commercial hitchhiker seeking to travel on the fame of

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[35] Another factor that must be weighed are the ramifications of a decision allowing Cardtoons a First Amendment defense in this case. Selling "commercial" parodies of baseball players would obviously lead to doing the same thing for other professional sports and entertainment. In addition, allowing "parody" collectible trading cards would open the door to virtually any commercial product. Opening that floodgate is neither a good nor logical idea, in the context of an evolving pattern of cases which clearly recognize the *on-going* tension between the First Amendment and property interests, such as the "right of publicity".

another will have to learn to pay the fare or stand on his own two feet. *Onassis v. Christian Dior,* 122 Misc.2d 603, 472 N.Y.S.2d 254, 261 (N.Y.1984).

V. THE PRELIMINARY INJUNCTION

As regards the remedy sought by the MLBPA for preliminary injunction the undersigned finds as follows.

To obtain a preliminary injunction, MLBPA—the moving party—must establish: (1) substantial likelihood that the movant will eventually prevail on the merits; (2) a showing that the movant will suffer irreparable injury unless the injunction issues; (3) proof that the threatened injury to the movant outweighs whatever damage the proposed injunction may cause the opposing party; and (4) a showing that the injunction, if issued, would not be adverse to the public interest. *Lundgrin v. Claytor,* 619 F.2d 61, 63 (10th Cir.1980).

The foregoing analysis indicates that MLBPA has established a substantial likelihood of prevailing on the merits. Therefore, the undersigned turns his attention to the second element. Will MLBPA suffer "irreparable harm" unless such an injunction is issued?

Irreparable harm is defined as "harm that cannot be prevented or fully rectified by the final judgment of a trial court." *Roland Machinery Co. v. Dresser Industries,* 749 F.2d 380, 386 (7th Cir.1984). It also has been described as "harm that cannot be repaired." *Young v. Ballis,* 762 F.Supp. 823, 827 (S.D.Ind.1990). Furthermore, "where money damages is adequate compensation, a preliminary injunction will not issue." *C & A Carbone, Inc. v. Town of Clarkstown,* 770 F.Supp. 848, 854 (S.D.N.Y.1991). *See also, Young, supra* ("Clearly when only money is at stake, there can be no irreparable injury.") The Seventh Circuit further states:

> In every case in which the plaintiff wants a preliminary injunction he must show that he has "no adequate remedy at law," . . . that he will suffer "irreparable harm" if the preliminary injunction is not granted. *The absence of an adequate remedy at law is a precondition to any form of equitable relief.* The requirement of irreparable harm is needed to take care of the case where although the ultimate relief that the plaintiff is seeking is equitable, implying that he has no adequate remedy at law, he can easily wait till the end of the trial to get that relief. Only if he will suffer irreparable harm in the interim—that is, harm that cannot be prevented or fully rectified by the final judgment after trial—can he get a preliminary injunction. *Roland* 749 F.2d at 386.

In this case, MLBPA has *not* shown that irreparable harm will occur if an injunction does not issue. Of particular import is MLBPA's lack of showing any type of irreparable harm beyond a general allegation that the "image" of baseball players *might be* tarnished. *See, C & A Carbone, supra,* ("The importance of movant of demonstrating clearly and convincing exactly why money damages are inadequate cannot be overstated.") In addition, MLBPA's claim of irreparable harm is without merit because there is an adequate remedy at law, i.e., the exact Oklahoma Statute now at issue. If Cardtoons sells its trading cards, it must compensate MLBPA under the terms of 12 O.S. § 1449. Oklahoma's "right to publicity" statute is intended to *compensate* persons such as the MLBPA members for using their likeness.[36] The statute reads, in-part: A party "shall be liable *for any damages* sustained by the person or persons injured as a result thereof,

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[36] As discussed earlier, the right to publicity recognizes three concerns: (1) the economic value of an individual's identity; (2) the incentive for creativity by encouraging the production of entertaining and intellectual works; and (3) prevention of unjust enrichment of those who usurp the identity of another.

and *any profits from the unauthorized use that are attributable to the use* shall be taken into account in computing the actual damages." *(Emphasis added).* Therefore, the harm suffered by MLBPA is fully able to be rectified through the provisions of the statute. Consequently, the Magistrate recommends the preliminary injunction be denied.

VI. CONCLUSION

Cardtoons, L.C. has created a unique product, superlative in its presentation. The artwork is of high quality. The cards are humorous and clearly, in this writer's opinion, achieve their stated goal to parody certain Major League Baseball players.

However, in creating its imagery Cardtoons, has squarely framed the question whether it can, without license from or compensation to the Major League Baseball Players Association, parody the players and *sell* the parody. In so doing, it has placed itself precisely between the players' "right of publicity" and First Amendment rights of free expression. The resultant tension must be balanced, taking into account the competing interests of the respective parties.

Two factors are decisive in the final analysis of Cardtoons' endeavor. First, its *"Baseball Parody Cards"*, is a commercial product. Second, the cards contain the "likenesses" of active Major League Baseball Players.

Cardtoons seeks to sell its product, already having engaged in preliminary marketing activities of the same quality and character as would be expected of any other like commercial enterprise. Its efforts, even in its infancy, have been national in scope. The composition of its *"Baseball Parody Cards"*, while arguably created to parody the very trade *(i.e.,* "baseball cards") upon which it now seeks to capitalize, instead lends itself to commercial sale. "Chase cards",

"subsets" and unique inserts within the collection all lead to the conclusion that this is a commercial endeavor designed to capture a market share of the sports card (or even "non-sports" card, depending upon how the terms are defined) marketplace.

The inescapable conclusion is that Cardtoons' *"Baseball Parody Cards"* is a commercial product whose creation, portraying the "marquee" players of Major League Baseball, is designed to make money for the Company and its investors. This being the *factum probandum* of the litigation, the undersigned finds it has been proven.

Resolving the resultant legal tension between Cardtoons and the Major League Baseball Players Association thus depends upon the court's finding that Cardtoons' *"Baseball Parody Cards"* is a commercial product portraying the likenesses of Major League players. Commercial products are deserving of *less* protection under the First Amendment than non-commercial products. Balancing both parties' interests upon the dual fulcrums of the First Amendment and the players' "rights of publicity", the scales tip to the players, Cardtoons' First Amendment free expression yielding to individual rights of publicity in the contexture of a commercial undertaking. Where as here, the goal is primarily commercial, resolution of the legal tension must also be commercial.

Cardtoons seeks to *profit* by marketing parodies of players, well known and followed by the American public. The players' "right of publicity" protects this very recognition. It is, in fact, the heart of the right. Cardtoons cannot expect to make money by trading on the likenesses and name recognition of lauded national figures and avoid application of the law which vests in those same individuals the right to protect the commercialization of their names, likenesses and reputations. Shakespeare said it best—*those who live by the sword, die by the sword.* Having leapt into the commercial

environment, Cardtoons must now live by its rules; and while free expression must be given its due, its scope is limited by marketplace constraints.

The United States Magistrate Judge, therefore, makes the following recommendations:

1. That the trial of this matter be consolidated with hearings held, in accord with Rule 65(e), *Federal Rules of Civil Procedure.* The facts are straightforward. Further hearing will in no wise aid or assist the court.

2. That declaratory judgment be entered in favor of the Major League Baseball Players Association, to the effect that Cardtoons' seventy-one (71) players, twenty (20) Big Bang Buck and ten (10) Spectra cards, part of its *"Baseball Parody Cards"* set which depict the likenesses and parody names of active Major League Baseball players violates, 12 O.S. § 1449(A) and the players' "rights of publicity", as embodied within that statute.[37]

3. That declaratory judgment be denied to Cardtoons, to the effect that it does *not* have a First Amendment right of free expression to market and sell its *"Baseball Parody Cards"* without license from the Major League Baseball Players Association.

4. That injunctive relief be denied to the Major League Baseball Players' Association, there being no showing

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[37] This includes any other type of card within the set depicting a player's likenesses and parody name. It does *not* include the cards drawn by Dave Simpson, which do not depict players' likenesses, and which the MLBPA agrees, may be published. Nor does it technically include *former* Major League Players, whose interests are admittedly *not* protected by the MLBPA. The same analysis, however, would clearly apply to such persons, on an individual basis.

of "irreparable harm"; and, the MLBPA having an otherwise adequate remedy at law.

5. That damages be denied to both parties, the evidence showing that no sales of the *"Baseball Parody Cards"* have been made.[38]

Any objections to this Report and Recommendation must be filed with the Clerk of Courts within ten (10) days of the receipt of this notice. Failure to file objections within the specified time waives the right to appeal the District Court's order.[39]

Dated this *3rd* day of *November*, 1993.

JOINT STIPULATION OF FACTS

September 14, 1993

The plaintiff, Cardtoons, Inc., L.C. ("Cardtoons") and the defendant, Major League Baseball Players Association ("MLBPA") jointly stipulate to the following facts for purposes of proceedings conducted in the captioned matter.

1. Cardtoons is an Oklahoma Limited Liability Company having its principal place of business at 7700 E. 42nd Place, Tulsa, Oklaoma. James L. Fromm ("Fromm") is the president and general manager of Cardtoons.

2. MLBPA is an unincorporated association which serves as the exclusive collective bargaining agent under the Labor Management Relations Act for all Major League baseball players with respect to the terms and conditions of their employment with professional baseball clubs. In addition, by

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[38] Part and parcel of this recommendation is that the MLBPA be granted declaratory judgment on Cardtoons' claim for "interference with contractual relations".

[39] See *Moore v. United States of America*, 950 F.2d 656 (10th Cir.1991).

virtue of various forms of written commercial authorization agreements dating from 1966 to the present, MLBPA has acted as the assignee of group rights granted to it by such of its members as wish to do so, in connection with, among other things, the use of their names, nicknames, signatures, biographical information and likenesses, for commercial or publicity purposes, including without limitation all products and product lines featuring three (3) or more Major League baseball players.

3. Cardtoons was organized for the purpose of manufacturing, advertising, distributing, and selling trading cards known as the "Cardtoons Baseball Parody Cards" ("Cardtoons Cards").

4. On or about January 26, 1993, Cardtoons entered into an agreement with Dave Simpson ("Simpson"), a copy of which is marked as *Joint Exhibit No. 11.*

5. On or about January 26, 1993, Cardtoons entered into an agreement with Mike Sowell ("Sowell"), a copy of which is marked as *Joint Exhibit No. 10.*

6. On or about January 26, 1993, Cardtoons entered into an agreement with Dayne Dudley ("Dudley"), a copy of which is marked as *Joint Exhibit No. 9.*

7. On or about January 26, 1993, Cardtoons entered into an agreement with Monarch Investments, Inc. ("Monarch") and John D. Graves ("Graves"), a copy of which is marked as *Joint Exhibit No. 8.*

8. The artwork for the Cardtoons Cards was drawn by Dudley and Simpson, and the textual material was written by Sowell, with input and approval by Fromm.

9. The entire set of Cardtoons Cards consists of 130 Cards, including several different types of cards:

(a) 71 active player cards;

(b) 10 retired player cards;

(c) 1 checklist card;

(d) 11 Poltics in Baseball cards;

(e) 10 Spectra Cards;

(f) 20 Big Bang Bucks cards; and

(g) 7 Standing Cards.

Joint Exhibit No. 7 constitutes an album containing photographic proofs of the 130 cards comprising the entire set of Cardtoons Cards). [sic] The reverse side of each card also bears the Cardtoons logo, and the following language:

> *Cardtoons baseball is a parody and is NOT licensed by Major League Baseball Properties or Major League Baseball Players Association.*

MLBPA asserts no claims in this action regarding either the 11 Politics in Baseball cards or the 7 Standing Cards.

10. Cardtoons neither sought nor obtained the authorization or approval of MLBPA or any of its members to produce, promote, distribute, and/or sell the Cardtoons Cards.

11. Cardtoons selected Champs Marketing, Inc. ("Champs"), in Cleveland, Ohio to print the Cardtoons Baseball Parody Cards.

12. Cardtoons conducted a direct mail advertising program for the Cardtoons Cards directed primarily to hobby dealers. The direct mail program provided for the mailing of an information packet to hobby dealers which contained:

(a) three (3) promotional cards;

(b) a 21" by 14" poster displaying the Cardtoons logo, artwork from six (6) sample cards, and a description of the Cardtoons Baseball Parody Cards;

(c) a one page "Hobby Retail Fact Sheet";

(d) a two sided glossy advertisement, with a checklist on one side, and photographs of the cards and packaging, with descriptive text on the other side;

(e) an order blank; and

(f) a self addressed return envelope.

Joint Exhibit 13 constitutes one of the information packets which Cardtoons sent to hobby dealers.

13. Cardtoons also conducted a commercial advertising campaign for the Cardtoons Cards. Advertisements were placed in the following periodicals: Nonsports Update, Comic Retailer, Comic Scene, Diamond Comics, Comic Buyers Guide, Tuff Stuff, Sports Collectors Digest, Baseball Card and Hobby. The following Joint Exhibits constitute examples of advertising placed by Cardtoons in the following publications:

Joint Exhibit 26 Sports Collectors Digest (March 19, 1993)

Joint Exhibit 28 Wizard (August, 1993)

Joint Exhibit 59 Previews (May, 1993)

Joint Exhibit 60 Advance Comics (July, 1993)

Joint Exhibit 61 Comics Retailer (July, 1993)

Joint Exhibit 70 Tuff Stuff (August, 1993)

Joint Exhibit 71 Comics Scene (July, 1993)

Joint Exhibit 72 Wizard (July, 1993)

Joint Exhibit 73 Sports Collectors Digest (July 30, 1993)

Joint Exhibit 74 Sports Collectors Digest Non-Sport & Entertainment Card Insert (July 2, 1993)

Joint Exhibit 80 Non-Sport Update (3rd Quarter, 1993)

14. Cardtoons entered into an exclusive distribution agreement with TCM Associates, Inc. ("TCM") whereby Cardtoons granted TCM the exclusive right to market the Cardtoons Cards through its representatives and other brokers to convenience stores, candy and tobacco distributors, grocery wholesalers & co-ops, supermarket chains, drug chains, variety chains, toy stores, periodical distributors, club stores (chains & independents), and special markets on a commission basis.

15. Every current Major League baseball player has executed a commercial authorization agreement with the MLBPA covering all periods relevant to the instant motion. *Joint Exhibit 48* constitutes a sample commercial authorization agreement.

16. MLBPA's group licensing program originated in 1966, when the MLBPA licensed Coca Cola to place player pictures on the underside of bottle caps in connection with promoting the sale of soft drinks. The group licensing program expanded during the 1970's with the MLBPA entering into group licensing arrangements in connection with candy, cookies, cereals and other products, including baseball cards. In each case, the licensees were authorized to use Major League players' names and likenesses on or in connection with a product or service, and paid a promotion fee and/or royalties to the MLBPA. Revenues from this group licensing program have been distributed to Major League players in accordance with policies established by the MLBPA Executive Board.

17. The MLBPA first involved itself in baseball trading cards in 1968. There are currently six (6) companies authorized for manufacture and retail distribution of baseball trading cards bearing the names, likenesses, signatures and statistical information of Major League baseball players. Those licensees market their products under the brand names TOPPS, FLEER, SCORE, UPPERDECK, LEAF/DONRUSS, and PACIFIC. Additionally, the MLBPA has granted two (2)

limited licenses authorizing retail distribution of baseball trading cards in 1993. *Joint Exhibits 52 & 65* are looseleaf binders containing examples of some 1993 baseball cards produced by the above named licensees:

Joint Exhibit 52 Looseleaf Binder containing examples of some 1993 Baseball Cards:

p. 1 Upper Deck

p. 2 Score

p. 3 Score Select

p. 4 Score Pinnacle

p. 5 Fleer

p. 6 Fleer Ultra

p. 7 Donruss

p. 8 Leaf

p. 9 Leaf Studio

p. 10 Topps

p. 11 Topps Stadium Club

p. 12 Pacific Spanish

Joint Exhibit 65 Looseleaf binder containing 1993 Upper Deck Fun Pack cards

18. On several occasions dating back as early as 1970, the MLBPA has taken steps to enforce its rights and the publicity rights of its members against persons who have infringed upon the MLBPA's group licensing rights by producing or selling non-licensed baseball cards, games or other products.

19. MLBPA learned of the Cardtoons Baseball Parody Trading Cards after seeing an advertisement for the Cardtoons Baseball Parody Cards which appeared in the May 14, 1993 issue of Sports Collectors Digest.

20. On June 18, 1993, Dennis Palmer, counsel for MLBPA, sent a letter to Cardtoons. *Joint Exhibit 81* constitutes a copy of this letter.

21. On June 18, 1993, Dennis Palmer, counsel for MLBPA, sent a letter to Champs Marketing. *Joint Exhibit* 82 constitutes a copy of this letter.

22. Cardtoons commenced this action on June 22, 1993.

(2)

No. 00-39

Supreme Court, U.S.
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IN THE
SUPREME COURT OF THE UNITED STATES

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,

Petitioner,

v.

CARDTOONS, L.C.,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

---

BRIEF OF *AMICUS CURIAE* INTERNATIONAL LICENSING INDUSTRY MERCHANDISERS' ASSOCIATION, INC. IN SUPPORT OF PETITIONER MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION'S PETITION FOR WRIT OF CERTIORARI

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12pp

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INTEREST OF AMICUS CURIAE[1]

The International Licensing Industry Merchandisers' Association, Inc. ("LIMA") is the trade association for the merchandising and licensing industry. Formed in 1985, LIMA's 900 plus members include most of the major licensors and licensees in the character, sports, entertainment, corporate and art licensing industry.

LIMA's licensor members are vigilant in enforcing their intellectual property rights against infringers and counterfeiters in a seemingly endless war against pirating. It is the custom and practice in the licensing industry that virtually all enforcement actions begin with the property owner or its attorney sending a cease-and-desist letter to the infringer or counterfeiter. The vast majority of these disputes are resolved following the issuance of a cease-and-desist letter and without resorting to the commencement of a formal proceeding.

LIMA's licensor members and their attorneys issue cease and desist letters under the belief that they are immune from

---

1 All parties have consented to the filing of this *amicus curiae* brief. The undersigned counsel authored the entire brief; no portion of this brief was authored by counsel for any of the parties. LIMA is the only entity that has made a monetary contribution towards the preparation and filing of this brief.

liability for retaliatory tort claims for taking such action, so long as the allegations in the letters are objectively reasonable. Accordingly, LIMA has an interest in ensuring that its licensor members continue to enjoy immunity for their reasonable efforts to police and protect their intellectual property rights against infringers and counterfeiters.

SUMMARY OF THE ARGUMENT

The protection and enforcement of intellectual property rights is at the very heart of the licensing industry. LIMA's licensor members routinely seek out and pursue unlicensed uses of their intellectual property rights by infringers and counterfeiters. Owners of trademark rights, in particular, have an affirmative duty to enforce their rights against counterfeiters and infringers, or risk abandonment of those rights.

In virtually all actions against infringers and counterfeiters, the property owner or its attorney will transmit a cease-and-desist letter to place the infringer or counterfeiter on notice that its actions are in violation of the property owner's rights and to demand that it cease all infringing activity. In most instances, this letter and the dialog that follows is sufficient to resolve the dispute. For LIMA's licensor members, the cease and

desist letter is the desired means to pursue counterfeiters and infringers in the first instance because the alternative - filing a lawsuit - is significantly more expensive and time-consuming.

Attorneys for LIMA's licensor members have issued cease-and-desist letters to counterfeiters and infringers in reliance upon the fact that they are immune from liability for retaliatory state law tort actions based upon the *Noerr-Pennington* doctrine and the First Amendment so long as their actions were objectively reasonable. The purpose of this *amicus* brief is to advise the Court that should the Tenth Circuit's decision stand, it would have a detrimental effect on the practices of LIMA's licensor members to police and protect their property rights. If the transmittal of a cease and desist letter is not accorded the same degree of immunity as the filing of a lawsuit, attorneys for LIMA's licensor members would inevitably forego sending letters and instead adopt a "litigation first" strategy which would significantly inflate legal costs for LIMA's members and clog court calendars. As Judge Lucero recognized in his dissenting opinion, "the practical result of the majority's holding will be to force parties seeking to prevent the wrongful infringement of their intellectual property rights to ambush infringers with lawsuits or risk having to defend against retaliatory tort claims."

App. 17a. Such a result, which encourages litigation and discourages private efforts to resolve disputes, simply is against public policy and the interest of judicial economy.

ARGUMENT

THE TENTH CIRCUIT'S OPINION IGNORES THE REALITY OF THE LICENSING INDUSTRY AND IS CONTRARY TO SOUND PUBLIC POLICY BECAUSE IT WILL SERVE TO ENCOURAGE LITIGATION AND DISCOURAGE PRIVATE RESOLUTION OF DISPUTES

The protection and enforcement of intellectual property rights is at the very heart of the licensing industry. For decades, LIMA's licensor members have battled the problem of the unauthorized use of their properties by infringers and counterfeiters. This problem has risen to epidemic proportions in recent years with the widespread use of the Internet. For the licensing community, counterfeiting has been the growth industry of the last decade.

Owners of trademark rights, in particular, have an affirmative duty to enforce their rights against counterfeiters and infringers, or risk the loss of those rights by "abandonment." *See* Lanham Act § 45, 15 U.S.C.A. § 1127 (the definition of "abandonment" includes "when any course of conduct of the

registrant, including acts of omission . . . causes the mark to lose its significance as an indication of origin.") 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 17:17 (1999) ("if, through failure to prosecute, a mark continually loses 'strength' and 'distinctiveness,' it will eventually hemorrhage so much that it dies as a mark.") Hence, LIMA's licensor members routinely seek out and pursue unlicensed uses of their intellectual property rights by infringers and counterfeiters.

The first step in most actions against infringers and counterfeiters is the transmittal of a cease-and-desist letter by the property owner or its attorney. In most instances, this simple letter and the dialog that follows is sufficient to resolve the dispute, thereby obviating the need for expensive and protracted litigation.

For LIMA's licensor members, the cease-and-desist letter is the desired means to pursuing counterfeiters and infringers in the first instance because the alternative -- filing a lawsuit -- is significantly more expensive and time-consuming. Attorneys for LIMA's licensor members have issued cease-and-desist letters to counterfeiters and infringers in reliance upon the fact that they are immune from liability for retaliatory state law tort actions based

upon the *Noerr-Pennington* doctrine and the First Amendment, so long as their actions were objectively reasonable.

Should the Tenth Circuit's decision stand, it would have a detrimental effect on the practices of LIMA's licensor members to police and protect their property rights. The Tenth Circuit's decision places intellectual property owners and rights-holders in an untenable position. If a rights-holder faces tort liability for sending such a letter, it will have the following options: (1) forego enforcing its rights for fear of being embroiled in expensive litigation just for sending a cease and desist letter; (2) send the letter and face exposure to a lawsuit, with expensive and invasive discovery and the uncertainties of a jury determination of the property owner's "good faith;" or (3) forego the issuance of a cease and desist letter and simply file suit against the suspected infringer in the first instance. A prudent rights-holder cannot opt for the first choice, because he or she runs the risk of abandoning his or her trademark rights through inaction. Likewise, a prudent right-holder will not opt for the second choice, because even an allegation in a cease-and-desist letter that is based upon probable cause and is objectively reasonable will still expose the rights-holder to a retaliatory suit for state tort claims by the infringer. A prudent rights-holder will invariably

adopt a "litigation first" strategy, thereby immunizing the rights-holder from retaliatory state tort claims.

Placing rights-holders in the position of having to choose the safe harbor of commencing litigation without first sending a cease-and-desist letter will have significant practical consequences. Typically, a rights-holder will suspect and believe in good faith that its rights are being infringed, without the benefit of knowing all of the facts. A communication to the suspected infringer which places the infringer on notice that there is a possible dispute not only allows the parties to explore ways to resolve the matter without going to court, but it also enables the rights-holder informally to investigate the facts and better determine the strength of his or her potential claim against the infringer prior to filing suit. In certain cases, the rights-holder ultimately may be mistaken as to the infringer's activities, or the infringer may have defenses of which the rights-holder is not aware. For this reason, the property rights-holder's transmittal of a pre-litigation cease-and-desist letter will ensure that (1) meritless lawsuits are not filed; and (2) the party is not placed at risk of sanctions under Rule 11 of the Federal Rules of Civil Procedure for failing to conduct a proper pre-litigation investigation.

In sum, if the transmittal of a cease and desist letter is not accorded the same degree of immunity as the filing of a lawsuit, attorneys for LIMA's licensor members would inevitably forego sending letters and instead adopt a "litigation first" strategy which would significantly inflate legal costs and clog court calendars. As Judge Lucero recognized in his dissenting opinion, "the practical result of the majority's holding will be to force parties seeking to prevent the wrongful infringement of their intellectual property rights to ambush infringers with lawsuits or risk having to defend against retaliatory tort claims." App. 17a. The Tenth Circuit's decision, which encourages litigation and discourages private efforts to resolve disputes, will disrupt the custom and practice of the licensing industry and place an undue burden on property-rights holders. Hence, the decision is against public policy and is contrary to the interest of judicial economy, and should be reversed.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

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On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether one who threatens litigation against a third party in bad faith is immunized from liability for tortious interference with contract, libel, and other state law torts under the Petition Clause of the First Amendment.

RULE 29.6 STATEMENT

Cardtoons, L.C. is an Oklahoma Limited Liability Company which has no parent or publicly held company owning 10% or more of the company. SUP. CT. R. 29.6.

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INTRODUCTION

In this case, the *en banc* panel of the court of appeals held that threats of litigation between purely private parties in a non-antitrust setting are not immunized from liability under the *Noerr-Pennington* doctrine or under the Petition Clause of the First Amendment. In reaching this conclusion, the court of appeals held that: (1) the application of *Noerr-Pennington* outside the antitrust context is based solely on the right to petition, Pet. App. at 7a, and (2) because purely private threats do not constitute a petition to the government, they are not constitutionally protected. Pet. App. at 13a. Neither holding merits review by this Court.

While Petitioner suggests that this case merits review to resolve a conflict between the Tenth Circuit and the other courts of appeal, the circuit split identified by Petitioner is illusory. The court of appeals observed that while this Court and other courts of appeal have cited *Noerr-Pennington* in non-antitrust cases involving the First Amendment right to petition, any such reference to *Noerr-Pennington* in these cases is "by analogy" only. Pet. App. at 7a. Thus, while confirming the application of the right to petition outside the antitrust context, the court of appeals found it "a bit of a misnomer" to refer to the right to petition as *"Noerr-Pennington"* when applied outside of antitrust as other circuit and district courts have done. Pet. App. at 8a.

The decision of the Tenth Circuit, far from creating a circuit split, was simply analytically precise about the differences between the *Noerr-Pennington* doctrine, which is properly limited to antitrust claims, and the scope of

any immunity that flows directly from the Petition Clause of the First Amendment. The Tenth Circuit has not created a circuit split for being precise where other courts have been less analytically rigorous. The only difference between the Tenth Circuit and other courts is that the Tenth Circuit properly analyzes the immunity under the Petition Clause. Other courts speak loosely of *Noerr-Pennington* immunity when in fact any immunity against common law tort claims must flow directly from the First Amendment.

The Tenth Circuit did not hold that a cease-and-desist letter falls outside the scope of the *Noerr-Pennington* immunity doctrine. Rather, the Tenth Circuit correctly concluded that Cardtoons' common law claims do not implicate *Noerr-Pennington* at all, but only Petition Clause immunity. As a result, the decision below does not conflict with the Fifth Circuit's decision in *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983). The decision below can hardly create a conflict on an issue the court did not reach.

The only issue left on which a potential conflict could arise is the question of whether the First Amendment Petition Clause covers pre-petition activity directed at a third party. The court of appeals concluded that the threats of litigation under consideration in this case did not constitute "petitioning activity" because the threats did not constitute a petition addressed to the government. Pet. App. at 16a. The court of appeals recognized that while there were "many persuasive policy arguments in favor of granting immunity to private threats of litigation, these do not override the clear language of the First Amendment," and that "such arguments are best

addressed to the state legislative bodies which can craft state law accordingly." Pet. App. at 16a.

Petitioner does not point to any split on this issue. The absence of a split no doubt reflects the fact that before the Tenth Circuit's decision below, courts had not carefully distinguished between *Noerr-Pennington* and Petition Clause immunity. It certainly does not follow that a court that found pre-petition activity immune under *Noerr-Pennington* would necessarily find pre-petition activity immune under the Petition Clause. The federal courts obviously have great latitude to interpret the federal antitrust laws to avoid even potential constitutional questions, while a Petition Clause ruling requires the Court to face the constitutional issue squarely. This difference not only indicates the absence of a circuit split, but points out the need for further development of this issue in the lower courts in light of the Tenth Circuit's careful analysis.

STATEMENT

Cardtoons formed in late 1992 to produce parody trading cards featuring caricatures of major league baseball players. Pet. App. at 60a. Cardtoons contracted with a political cartoonist, a sports artist, and a sports author and journalist, who designed a set of 130 cards. *Id.* The trading cards ridicule the players using a variety of themes. Pet. App. at 62a. A number of the cards humorously criticize the players for their substantial salaries, and others mock the players' narcissism. *Id.*

After designing its parody trading cards, Cardtoons contracted with a printer (Champs Marketing, Inc. "Champs") to manufacture the cards. Pet. App. at 63a. MLBPA learned of the Cardtoons Baseball Parody Cards after seeing an advertisement for the cards which appeared in the May 14, 1993 issue of Sports Collectors Digest. *Id.* On Friday, June 18, 1993, an MLBPA attorney simultaneously sent letters by facsimile to Cardtoons and Champs. *Id.* The letters threatened legal action against Cardtoons if it manufactured and sold the parody cards, and threatened litigation against Champs if it printed the cards. Pet. App. at 2a. As a result of the letter which Champs received from MLBPA's lawyers, Champs notified Cardtoons that it would not print the cards until a court of competent jurisdiction had determined that the cards did not violate the MLBPA players' right of publicity. Pet. App. at 63a.

After Champs refused to print the parody cards, Cardtoons filed suit seeking a declaratory judgment that its cards did not violate the MLBPA players' right of publicity. Pet. App. at 63a. Cardtoons also sought damages for tortious interference with its contractual relationship with Champs and injunctive relief. Pet. App. at 63a-64a. MLBPA counterclaimed for injunctive and declaratory relief, as well as damages for infringement of its players' publicity rights. Pet. App. at 64a.

A U.S. Magistrate Judge recommended that declaratory judgment be entered for MLBPA and against Cardtoons, and that MLBPA be denied injunctive relief. Pet. App. at 64a. The district court initially adopted the Magistrate Judge's Report and Recommendation, but later vacated its judgment, and upon reconsideration, held in

favor of Cardtoons. Pet. App. at 64a. On interlocutory appeal, the Tenth Circuit affirmed, finding that the cards "are an important form of entertainment and social commentary that deserve First Amendment protection." Pet. App. at 92a.

Following remand, Cardtoons amended its Complaint to add claims for defamation, prima facie tort, and negligence. Pet. App. at 4a. All of Cardtoons' claims for relief arose from statements contained in the letter from MLBPA to Champs: (a) Two of Cardtoons' claims (Tortious Interference With Contract and Prima Facie Tort) were premised on MLBPA's threat to sue Champs unless Champs agreed to immediately suspend its efforts to complete the manufacturing of the Cardtoons Baseball Parody Cards; (b) Two of Cardtoons' claims (Libel and Negligence) were premised on MLBPA's false and defamatory statement to Champs that Cardtoons was engaged in illegal conduct.

MLBPA moved for summary judgment on each of these claims, contending that its threatening letter to Champs was not "objectively baseless," and was protected under *Noerr-Pennington* and this Court's opinion in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*, 508 U.S. 49 (1993) ("PREI"). In response, Cardtoons contended that:

> (1) The letters which MLBPA sent to Champs contained both threats of litigation and defamatory statements, and MLBPA's liability for the threats of litigation must be considered separately from MLBPA's liability for the defamatory statements;

(2) While a party's civil liability under state law for its threats of litigation and defamatory statements was limited by the First Amendment right to petition, *Noerr-Pennington* is a doctrine of statutory construction which governs claims for treble damages under the Sherman Act and does not apply to state law tort claims;

(3) The First Amendment right to petition the government for redress of grievances does not protect private communications, even if those communications reference the speaker's intention to seek access to the courts at some indeterminate future date;

(4) MLBPA did not act in good faith when it threatened Champs with litigation and falsely accused Cardtoons of engaging in illegal activity.

The district court granted summary judgment to MLBPA, citing *Noerr-Pennington* and PREI. Pet. App. at 56a.

On appeal, the district court's judgment was affirmed by a vote of 2-1. The majority found that:

(1) *Noerr-Pennington* immunity "emanates from the First Amendment right of petition" and thus, "stands independent from its aborigine roots in antitrust." Pet. App. at 37a;

(2) Threats of litigation were entitled to the same level of *Noerr-Pennington* immunity as litigation itself, regardless of whether the threats were ultimately consummated. Pet. App. at 39a;

(3) Under PREI, threats of litigation enjoyed *Noerr-Pennington* immunity unless the

threats are made without probable cause. Pet. App. at 41a;

(4) MLBPA had colorable claims against Champs, and thus, MLBPA is immune from any claims which were premised on the letter to Champs. Pet. App. at 44a.

The dissenting panel member agreed that *Noerr-Pennington* applied to state law claims as well as federal antitrust claims, but disagreed with the panel's conclusion that the "objectively baseless" inquiry of PREI could be applied to threats of litigation, as opposed to actual litigation. The dissent proposed a three-part test which would require the party invoking *Noerr-Pennington* to show that the threat of litigation was a (1) good faith, (2) objectively reasonable, and (3) proximate prologue to actual or imminent litigation. Pet. App. at 50a. "This test differs from the majority's test because the majority would grant *Noerr-Pennington* immunity solely on the ground of an objectively reasonable basis for the threat without also requiring that the threat be in good faith and proximate to actual or imminent litigation." Pet. App. at 50a, n. 2. The dissent found that the three-part test could not be satisfied in this case because the record did not demonstrate that MLBPA's correspondence with Champs was in good faith or proximate to actual litigation, and advocated reversal of summary judgment and remand so that these remaining issues could be resolved.

Cardtoons filed a petition for rehearing and suggestion for rehearing *en banc*, which was granted. The *en banc* panel found that the First Amendment right to petition, rather than *Noerr-Pennington*, was applicable to claims arising under state law, and that purely private threats do

not constitute petitions to the government which are constitutionally protected. Pet. App. at 16a.

REASONS FOR DENYING THE PETITION

I. The facts of this case are unique, and thus, the issues addressed by the Tenth Circuit are unlikely to be recurring.

While the decision in this case may discourage attempts to harm potential adversaries by threatening litigation against third parties with whom the potential adversary conducts business, it should have no impact whatsoever on the practice of sending cease-and-desist letters to potential adversaries. MLBPA's cease-and-desist letter to Champs was contemporaneous with MLBPA's first cease-and-desist letter to Cardtoons, and was calculated to achieve the functional equivalent of an injunction against Cardtoons. The predatory aspects of MLBPA's conduct in this matter can be distinguished from the salutary use of cease-and-desist letters to communicate with potential adversaries in order to avoid litigation.

The history of this litigation suggests little possibility that Cardtoons and MLBPA might have resolved their differences without the necessity of litigation if MLBPA had sent a cease-and-desist letter to Cardtoons only. However, in most cases where a claimant has a good faith basis for sending a cease-and-desist letter, the purpose to be served by such a letter can be achieved by sending the letter to the potential adversary alone. Moreover, when the cease-and-desist letter is sent to the adversary alone,

the torts of tortious interference with contract and libel are not implicated.

To the contrary, the use of threats against remote third parties is not calculated to achieve voluntary compliance with a demand, but to harm the potential adversary's relationships with others upon whose goods and services the potential adversary relies, such as vendors, distributors, customers, and manufacturers. In the present case, MLBPA sent the cease-and-desist letter to a party who had little interest in whether MLBPA's claims were valid. Champs was merely a contractor with no incentive to take a stand against MLBPA and risk the possibility of expensive litigation. As illustrated in the present case, the use of litigation threats to achieve indirectly through coercion what cannot be accomplished directly through voluntary compliance is not a practice which serves the public interest.[1]

II. There is no split among the circuits.

Petitioner has cited numerous cases in which courts have applied *Noerr-Pennington* immunity to state law claims, Pet. at 11, and has cited a handful of cases in which *Noerr-Pennington* immunity was extended to threats of litigation in the antitrust context.[2] Pet. at 13-16.

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[1] It is no answer for Petitioner to claim that Champs could have been liable under a contributory infringement claim. This fact only highlights the uniqueness of this case. Pre-petition threats to third parties rarely serve any legitimate purpose.

[2] Several courts have taken the view that threats to litigate are not protected by *Noerr*. *See, e.g., CVD, Inc. v. Raytheon Co.,*

However, Petitioner has cited only two decisions in which courts relied on *Noerr-Pennington* to dismiss state law tort claims arising from threats of litigation.

There is clearly no conflict among the circuits regarding the issue of whether private threats of litigation constitute a petition to the government. No other circuit courts have addressed this question. With two exceptions, each of the cases cited by MLBPA merely protect threats of litigation from liability under the Sherman Act, and thus, are not in conflict with the Tenth Circuit. The two exceptions should be disregarded by the Court. The first exception is *Matsushita Electronics Corp. v. Loral Corp.*, 974 F. Supp. 345 (S.D.N.Y. 1997), where the parties did not dispute that the *Noerr-Pennington* doctrine was applicable to state law tort claims. The second is *Pennwalt Corp. v. Zenith Labs., Inc.*, 472 F. Supp. 413 (E.D. Mich. 1979), where the court did find threatened litigation immune from state law tort claims. However, *Pennwalt* is the only case which is in direct conflict with the Tenth Circuit's

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769 F.2d 842, 851 (1st Cir. 1985) (threats to litigate made in bad faith are unprotected and may violate the antitrust laws), *cert. denied*, 475 U.S. 1016 (1986); *Alexander v. National Farmers Org.*, 687 F.2d 1173, 1200 (8th Cir. 1982) (threatening litigation against customers of competitor was in bad faith and unprotected), *cert. denied, sub nom. National Farmers' Org., Inc. v. Associated Milk Producers Inc.*, 461 U.S. 937 (1983); *Brownlee v. Applied Biosystems, Inc.*, 1989-1 Trade Cas. (CCH) P 68,425, at 60,338 (N.D. Cal. 1989) (threats to institute sham litigation may constitute anticompetitive conduct sufficient to support antitrust claim); *Oahu Gas Serv., Inc. v. Pacific Resources, Inc.*, 460 F. Supp. 1359, 1386 (D. Haw. 1978) (threats of lawsuit against potential customers of competitors were not protected, although threats to the competitors themselves would be protected).

decision. One lone decision by a district court is not a sufficiently developed conflict worthy of review by this Court.

However, the premise of Petitioner's argument – that the First Amendment/*Noerr-Pennington* prohibits the imposition of penalties for the exercise of the right to institute (or threaten) litigation which is not objectively baseless – creates its own potential conflicts with theories of liability, federal and state statutes, and court rules which penalize losing litigants without regard to the merits of the claims asserted (or under a lower standard than "objectively baseless").

For example, in the area of libel, Oklahoma law provides that statements made in connection with proposed litigation are privileged, provided that the statements relate to litigation which is seriously contemplated in good faith. OKLA. STAT. tit. 12, § 1443.1. *Kirschstein v. Haynes*, 788 P.2d 941, 953 n. 30 (Okla. 1990). Under Oklahoma law, the plaintiff in an abuse of process action is not required to prove that the underlying action was brought without probable cause. *Greenberg v. Wolfberg*, 890 P.2d 895, 905 (Okla. 1994).[3]

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[3] *See, e.g., Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982):

> If all nonmalicious litigation were immunized from government regulation by the First Amendment, the tort of abuse of process would be unconstitutional – something that, so far as we know, no one believes.
>
> * * *
>
> It takes a rather free-wheeling imagination to extrapolate from the *California Motor Transport*

The Fair Debt Collection Practices Act prohibits a party from threatening to take any action which it does not intend to take. 15 U.S.C. § 1692e(5). This provision has routinely been applied to threats to institute litigation. *See United States v. National Financial Services, Inc.*, 98 F.3d 131 (4th Cir. 1996) (notices threatening legal action when debt collectors did not intend to file suit violated § 1692e(5)). *See also, Bentley v. Great Lakes Collection Bureau*, 6 F.3d 60 (2d Cir. 1993); *Whayne v. United States Dept. of Education*, 915 F. Supp. 1143 (D. Kan. 1996). The RESTATEMENT (SECOND) OF TORTS § 767, provides that threats of litigation can be wrongful "if the actor has no belief in the merit of the litigation or *if, though having some belief in its merit, he nevertheless institutes or threatens to institute the litigation in bad faith, intending only to harass the third parties and not to bring his claim to definitive adjudication.*" *Id.*, Comment c (emphasis added). Any fee-shifting statute which imposes liability for attorney's fees on the losing litigant, 28 U.S.C. § 1927 (Counsel's liability for excessive costs), FED.R.CIV.P. 11 (Permitting the imposition of sanctions if pleading filed "for any improper purpose, such as to harass or to cause unnecessary delay, or needless increase in the cost of litigation"), and FED.R.CIV.P. 54 (Award of costs to prevailing party) may be subject to constitutional challenge if the "sham litigation" test is applicable as a principle of constitutional law outside the antitrust context.

> opinion a principle that if applied across the board would, as we have suggested, make the tort of abuse of process invalid under the First Amendment; and we decline to do so.

Id., at 471.

In comparing the decision of the Tenth Circuit to decisions of other circuits, this Court should take significant note of the manner in which the Tenth Circuit views its decision. On June 6, 2000, the Tenth Circuit had the opportunity to revisit its *en banc* decision in this case. *Scott v. Hern*, ___ F.3d ___, 2000 WL 726442 (10th Cir. 2000). In *Scott*, an antiabortion protester who had been involuntarily committed brought suit asserting claims under 42 U.S.C. § 1983 and state law against persons who participated in the commitment proceedings. The district court, citing *Noerr-Pennington* and the First Amendment right to petition, held that the defendants were immune from liability for claims of abuse of process and false imprisonment based on the submission of a petition for involuntary commitment. Affirming the district court's dismissal of the plaintiff's state law tort claims, the Tenth Circuit had occasion to discuss the significance of its prior holding in this case:

> The question before the en banc court [in *Cardtoons*] was whether the Petition Clause immunized the defendant from state tort liability based on statements made in a cease-and-desist letter sent to a private party. The en banc court ultimately concluded such letters are not shielded by the First Amendment because they are not petitions to the government. In reaching that conclusion, we cautioned that, because the *Noerr-Pennington* doctrine was based on both statutory interpretation and constitutional principles, care must be taken when drawing right to petition principles from *Noerr-Pennington* antitrust cases. " '[T]he purpose of *Noerr-Pennington* as applied in areas outside the antitrust field is the protection of the right to petition.' "

Id., ___ F.3d, at ___, 2000 WL 726422 at *11 (citations omitted). In a footnote, the *Scott* panel succinctly reiterated its view of the *en banc* court's holding in this case:

> [T]he en banc court expressly states "we do not question the application of the right to petition outside of antitrust," rather, the court merely stresses "it is a bit of a misnomer to refer to [such an application] as the *Noerr-Pennington* doctrine." Moreover, to the extent this statement can be read to hold that the Petition Clause cannot limit tort liability, it is dicta. The holding in *Cardtoons* rested exclusively on the conclusion that a cease-and-desist letter to a private party does not constitute petitioning activity.

Id., ___ F.3d, at ___, n. 9, 2000 WL 726422 at *11, n. 9 (citations omitted).

Petitioner contends that the *en banc* decision in this case conflicts with decisions of other courts which have protected petitioning activity under *Noerr-Pennington*. Pet. at 11. However, in *Scott v. Hern*, the Tenth Circuit cited many of those same decisions with approval as authority for the proposition "that the Petition Clause places limits on liability for the commission of a range of common law torts." ___ F.3d, at ___, 2000 WL 726422 at *11. *Scott v. Hern* illustrates that the "conflict" among the circuits which Petitioner fears is more imagined than real. The only "conflict" between the Tenth Circuit's decision in this case and the decisions cited by Petitioner which rely on *Noerr-Pennington* is one of semantics. While other courts have used the term "*Noerr-Pennington*" immunity, the Tenth Circuit has rejected that term as a "misnomer" when applied outside the antitrust context, and has

instead found it more precise to refer to "First Amendment petitioning immunity."

"The holding in *Cardtoons* rested exclusively on the conclusion that a cease-and-desist letter to a private party does not constitute petitioning activity." *Id.*, ___ F.3d, at ___, n. 9, 2000 WL 726422 at *11, n. 9. It is that holding, rather than the precise nomenclature to be applied, which is of significance in this case.

III. Purely private threats do not constitute a petition to the government.

Relatively few reported cases have addressed the type of activity which constitutes "petitioning activity" which is protected by the First Amendment. Perhaps because of the relatively clear language of the First Amendment ("Congress shall make no law . . . abridging . . . the right of the people . . . to petition the Government for a redress of grievances."), the question of whether "pre-petitioning" activity is entitled to protection under the First Amendment has not been squarely addressed by any court prior to the *en banc* decision in this case.

The three circuit cases cited by MLBPA are not in conflict with the Tenth Circuit *en banc* decision. Far from recognizing a conflict, as MLBPA suggests, the Tenth Circuit correctly noted that its decision did not conflict with these cases. The Tenth Circuit went to great lengths to demonstrate that the grant of immunity to pre-litigation threats in *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1359 (5th Cir. 1983), and other circuit court cases, was not based on the right to petition, but was based

upon a construction of the Sherman Act. Pet. App. at 10a.[4]

The immunity granted by *Coastal States* is not synonymous with the protections required by the First Amendment. MLBPA's criticism of the Tenth Circuit's quotation from *Coastal States* illustrates this point. Pet. App. at 14, n. 7. MLBPA acknowledges that the Fifth Circuit recognized that its extension of *Noerr-Pennington* "petitioning immunity" to efforts to influence foreign governments went beyond the protections afforded by the First Amendment right to petition.

It is especially noteworthy that the Fifth Circuit never addressed the question whether a cease-and-desist letter is petitioning activity for purposes of the First Amendment. Rather, the court simply found that the "petitioning immunity" of *Noerr-Pennington* should be extended to such threats. *Id.*, at 1367-68. In discussing "petitioning immunity" the court made it clear that it was discussing the ***antitrust*** immunity developed through *Noerr-Pennington*. *See e.g., id.*, at 1359 (issue is whether petitioning immunity, "based on the Supreme Court's decisions in" *Noerr* and *Pennington* shields activities from antitrust

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[4] The Tenth Circuit did state that it rejected these cases "***to the extent they imply*** that the mere threat of suit between private parties constitutes a petition to government." Pet. App. at 14a (emphasis added). However, this statement must be taken in context. The court had just demonstrated at length why these cases were distinguishable from the present case, and were not contrary to the Tenth Circuit's decision. The statement was clearly intended to apply only if the distinctions drawn by the Tenth Circuit were incorrect.

scrutiny); *Id.*, at 1364-65 ("*Noerr* was based on a construction of the Sherman Act. It was not a first amendment decision").

Likewise, *Glass Equipment Development, Inc. v. Besten, Inc.*, 174 F.3d 1337 (Fed. Cir. 1999) and *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552 (11th Cir. 1992) were also applications of the Sherman Act, not the First Amendment right to petition. As with *Coastal States*, neither case discusses whether threats of litigation constitute a petition to the government. They merely hold that the conduct is not actionable under the Sherman Act.[5] *Glass*, 174 F.3d, at 1343-44; *McGuire*, 958 F.2d, at 1560 (relying on *Coastal States*). Consequently, at this point it is far from clear what these circuits would hold if faced with the same question as in the present case, *i.e.*, whether a threat of litigation is protected from state tort law liability under the Petition Clause of the First Amendment.[6]

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[5] MLBPA's footnoted discussion of *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860 (Fed. Cir. 1997) does not reveal any circuit split. Pet. at 15, n. 8. The Federal Circuit based its decision in that case on an analysis and application of principles governing patent misuse; the court's opinion does not discuss either *Noerr-Pennington* or the First Amendment right to petition.

[6] MLBPA also asserts that indirect petitioning has been protected "in other contexts." Pet. at 17, n. 9. However, each of the cited cases was an antitrust case applying the *Noerr-Pennington* doctrine, not a direct application of the First Amendment right to petition. *See, e.g. International Bhd. Of Teamsters v. Phillip Morris, Inc.*, 196 F.3d 818, 826 (7th Cir. 1999) ("To the extent the manufacturers' statements were designed to influence Congress – to get favorable laws and ward off unfavorable ones – they cannot be a source of liability directly under the Noerr-Pennington doctrine.")

One of the cases MLBPA cites, *Alexander v. National Farmers Organization*, 687 F.2d 1173 (8th Cir. 1982), *cert. denied, sub nom. National Farmers' Org., Inc. v. Associated Milk Producers Inc.*, 461 U.S. 937 (1983), actually supports the notion that threats of litigation are not protected by the First Amendment right to petition. In *Alexander*, a party threatened litigation with customers who purchased milk from the National Farmers Organization ("NFO"). Although the threats were ostensibly made to protect marketing rights, those rights could have been fully vindicated in an action against the NFO. The court held that threats to sue customers of a party are not protected from antitrust liability by *Noerr-Pennington* immunity. *Id.*, at 1200-01. If the First Amendment required protection for threats of litigation to protect one's rights, such a result would not have been possible.

Further, when courts have discussed the actual First Amendment right to petition – as opposed to statutory interpretation to avoid potential conflicts with the First Amendment – the results have been consistent with the Tenth Circuit decision. In instances in which conduct has been expressly protected under the First Amendment right to petition, the party in question was attempting to influence or obtain a decision of a governmental entity. For example, in *Christian Gospel Church, Inc. v. City and County of San Francisco*, 896 F.2d 1221 (9th Cir.), *cert. denied*, 498 U.S. 999 (1990), the First Amendment protected the defendants' conduct, because they "were doing what citizens should be encouraged to do, taking an active role in the decisions of the government." *Id.*, at 1226. *See also, e.g., Bagley v. Iowa Beef Processors, Inc. (In re IBP Confidential Business Documents Litigation)*, 797 F.2d

632 (8th Cir. 1986) (communications to those whose support could influence legislative action protected by right to petition); *Whelan v. Able*, 827 F. Supp. 801 (D.D.C. 1993) (no liability for actually invoking governmental process).

However, where an actor cannot be said to be attempting to influence the decision of a governmental entity, courts have not found the conduct to be protected. In *Feminist Women's Health Center v. Mohammad*, 586 F.2d 530 (5th Cir. 1978), the defendants wrote to various medical review organizations regarding the plaintiff's conduct. Although the decisions of these review organizations had the potential to result in a decision of a governmental agency, the communications with such organizations were held to not be petitioning activity, because these organizations themselves were not governmental entities. *Id.*, at 544-45.

MLBPA argues that sending a pre-litigation threat often allows parties "to avoid the courthouse altogether," Pet. at 18, and that such communications offer litigants the opportunity to "resolve or compromise their interests prior to engaging in the formal conflict of civil proceedings before a court." Pet. at 19. It is clear from these statements that the function and purpose of cease-and-desist letters is to avoid litigation. Cardtoons would agree that encouragement of non-judicial resolution of disputes is good public policy. However sound these observations may be, and however relevant they may be to interpreting the Sherman Act, they are not relevant to the interpretation of the First Amendment's Petition Clause. The First Amendment Petition Clause was enacted to insure access to the courts, not to guarantee the right to pursue alternatives to litigation.

While pre-litigation threats may constitute "pre-petitioning activity," such threats do not constitute petitioning activity. Unless communications are directed toward a governmental agency, no petitioning activity has occurred. While pre-petitioning activity may be protected under some other legal theory,[7] such communications are not protected under the Petition Clause of the First Amendment.

IV. The Tenth Circuit's decision is consistent with this Court's decision in *McDonald v. Smith*.

In *McDonald v. Smith*, 472 U.S. 479 (1985), this Court was invited to apply the *Noerr-Pennington* doctrine outside of the antitrust context, and declined to do so. In *McDonald*, a candidate for the position of United States Attorney brought a libel action against the defendant for making maliciously false allegations in letters to the President and other federal officers. 472 U.S., at 481-82. Both the district court and the Fourth Circuit expressly refused to extend the *Noerr-Pennington* doctrine to afford absolute

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[7] Communications preliminary to a proposed judicial proceeding are privileged for purposes of defamation if the communication has some relation to a proceeding that is contemplated in good faith and under serious consideration. RESTATEMENT (SECOND) OF TORTS § 586, Comment e; OKLA. STAT. tit. 12, § 1443.1. *Kirschstein v. Haynes*, 788 P.2d 941, 953 n. 30 (Okla. 1990). Similarly, threats of litigation may subject the actor to liability for tortious interference with contract if the actor has no belief in the merit of the litigation or if, though having some belief in its merit, he nevertheless institutes or threatens to institute the litigation in bad faith, intending only to harass the third parties and not to bring his claim to definitive adjudication. RESTATEMENT (SECOND) OF TORTS § 767, Comment c.

immunity to a citizen who makes defamatory statements in a letter to government officials. 562 F. Supp. 829, 838 (M.D.N.C.1983), *aff'd*, 737 F.2d 427, 429 (4th Cir. 1984). In affirming, this Court did not mention the petitioner's argument that the *Noerr-Pennington* doctrine should be applied. 472 U.S., at 491. Instead, this Court addressed the issue as one arising directly under the First Amendment Petition Clause, and rejected the defendant's argument that the Petition Clause created an absolute privilege:

> Under state common law, damages may be recovered only if petitioner is shown to have acted with malice; . . . We hold that the Petition Clause does not require the State to expand this privilege into an absolute one. The right to petition is guaranteed; the right to commit libel with impunity is not.

472 U.S., at 483-85 (footnotes omitted). The *McDonald* Court's unanimous affirmance without addressing petitioner's contention that his letter was protected under *Noerr-Pennington* undercuts MLBPA's contention that *Noerr-Pennington* is applicable outside the antitrust context.

McDonald v. Smith is also relevant given that Cardtoons has asserted a libel claim against MLBPA, based upon the false and defamatory statement contained in the letter to Champs that Cardtoons was engaged in illegal conduct. Cardtoons' libel claim is not premised on the harm caused by a threat of litigation, but rather, the harm caused by a false accusation of illegal conduct. *McDonald v. Smith*, a libel case, is directly controlling in this case, which also involves a claim of libel.

V. The Tenth Circuit's decision will neither discourage attempts to settle controversies without litigation, nor result in increased litigation.

The facts in this case refute Petitioner's argument that the decision in this case will increase the number of lawsuits filed. MLBPA's threat to Champs prompted Champs to suspend printing the parody trading cards until a court of competent jurisdiction determined that the cards did not violate the publicity rights of the MLBPA players. Consequently, Cardtoons was required to file suit against MLBPA to obtain a declaratory judgment. The need to resort to litigation to resolve this controversy was not affected by the cease-and-desist letters which MLBPA sent to Champs. While MLBPA's threat of litigation against Champs may have required Cardtoons to initiate litigation to resolve that dispute rather than MLBPA, the fact remains that MLBPA's cease-and-desist letters did not enable the parties to avoid the courthouse. It is ironic that MLBPA should stand on the First Amendment right to petition as the foundation of its right to threaten Champs with litigation, because the threat was used to achieve a goal via coercion which MLBPA could not lawfully achieve in a court of law.

When cease-and-desist letters are used to deter third parties from conducting business with a potential adversary, the injured party must either abandon its business, or initiate litigation to restore the status quo, as in this case. The use of demand letters which injure, rather than communicate, does not reduce the potential for litigation.

VI. This case is in an interlocutory posture.

While the court of appeals held that MLBPA's threats of litigation were not immune from liability under either *Noerr-Pennington* or the First Amendment right to petition, the court of appeals acknowledged "persuasive policy arguments in favor of granting immunity to private threats of litigation," but concluded that the question of immunity for threats of litigation should be addressed to state legislative bodies. Thus, the court of appeals left open the question of whether MLBPA is entitled to immunity for its threats under state law. Whether or not MLBPA is entitled to immunity under state law is an issue which is potentially dispositive which has yet to be addressed by the district court.

This Court has long cautioned that "this court should not issue a writ of certiorari to review a decree of the Circuit Court of Appeals on appeal from an interlocutory order, unless it is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause." *American Constr. Co. v. Jacksonville, T. & K.W. Ry.*, 148 U.S. 372, 384 (1893). The possibility that further proceedings may moot or shed additional light on the question presented strongly counsels against granting review before final judgment. *See, e.g., Brotherhood of Locomotive Firemen & Enginemen v. Bangos & Aroostock R.R.*, 389 U.S. 327, 328 (1967); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916).

The substantive law underlying Cardtoons' claims for relief provides immunity for threats of litigation which are made in good faith. *See supra*, at n. 7. For example, Oklahoma law provides that statements made

in connection with proposed litigation are privileged, provided that the statements relate to litigation which is seriously contemplated in good faith. OKLA. STAT. tit. 12, § 1443.1. *Kirschstein v. Haynes*, 788 P.2d 941, 953 n. 30 (Okla. 1990).[8]

Likewise, threats of litigation cannot constitute improper interference with contractual relations unless "the actor has no belief in the merit of the litigation or if, though having some belief in its merit, he nevertheless institutes or threatens to institute the litigation in bad faith, intending only to harass the third parties and not to bring his claim to definitive adjudication." RESTATEMENT (SECOND) OF TORTS § 767, Comment c.

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[8] Other states are in accord. *See, e.g. Smith v. Suburban Restaurants, Inc.*, 373 N.E.2d 215 (Mass. 1978) (Summary judgment denied; no indication that judicial proceeding was contemplated unless plaintiff engaged in some future conduct); and *Fuhrman v. California Satellite Systems*, 231 Cal.Rptr. 113 (Cal.App. 3 Dist. 1986) (Privilege with respect to pre-litigation communications applies only when the communication has some relation to a proceeding that is contemplated in good faith and under serious consideration, and the mere possibility that a proceeding might be instituted is not to be used as a cloak to provide immunity for defamation); RESTATEMENT (SECOND) OF TORTS § 586, comment e, provides as follows:

> As to communications preliminary to a proposed judicial proceeding the rule . . . applies only when the communication has some relation to a proceeding that is contemplated in good faith and under serious consideration. The bare possibility that the proceeding might be instituted is not to be used as a cloak to provide immunity for defamation when the possibility is not seriously considered.

Even the commentary cited by Petitioner recognizes that infringement suits cannot be threatened for the purpose of injuring a business, but must only be threatened in good faith. R. Coolley, *Notifications of Infringement and Their Consequences*, 77 J. PAT. & TRADEMARK OFF. SOC'Y, 246, 256 (1995). The requirement that threats of litigation be made in good faith is consistent with this Court's application of the First Amendment right to petition to libel claims. *McDonald v. Smith*, 472 U.S. 479 (1985) (First Amendment right to petition does not preclude defamation action based on letter to President where it is shown that defendant acted with actual malice).

Given the interlocutory posture of this case, and the potential immunity provided by state law for MLBPA's defamatory statements and threats of litigation, further proceedings may eliminate the need for this Court to address the issues raised by MLBPA. Certiorari should be denied to give the district court an opportunity to see if state law provides a non-constitutional basis for immunity akin to *Noerr-Pennington* immunity or First Amendment petitioning immunity.

CONCLUSION

The *en banc* decision is the first case in which a court has carefully considered the relationship between *Noerr-Pennington* immunity and First Amendment petitioning immunity. Far from creating a conflict with other circuits, the Tenth Circuit has reconciled these two theories of immunity in a manner which is entirely consistent with this Court's decisions. The *en banc* decision is also the

first case in which a court has squarely considered whether pre-petitioning activity, such as correspondence between private parties, is protected under the First Amendment Petition Clause. The Tenth Circuit's conclusion that such private communications are not petitions to the government is consistent with a plain reading of the First Amendment and common sense.

The petition for certiorari should be denied.

Respectfully submitted,

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No. 00-39

IN THE

Supreme Court of the United States

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,

Petitioner,

v.

CARDTOONS, L.C.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

BRIEF OF *AMICUS CURIAE* THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF PETITIONER

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INTRODUCTION

The International Trademark Association ("INTA") submits this brief as *amicus curiae* in support of a writ of *certiorari* to the United States Court of Appeals for the Tenth Circuit to review its *en banc* decision in *Cardtoons, L.C. v. Major League Baseball Players*, 2000 WL 358414, No. 98-5061 (10th Cir., April 7, 2000). Both parties have consented to this filing.[1]

INTA urges that *certiorari* be granted and that this Court resolve the uncertainty created by the *Cardtoons* decision because it has had an immediate and broad impact on trademark owners.

Owners of trademarks and of other intellectual property rights traditionally have protected their valuable rights by sending cease-and-desist letters to alleged violators as a preliminary step, before having to resort to litigation. In many instances, such letters suggest, and result in, an amicable resolution of the matter. In others, they lead to the discovery of the ultimate source of the alleged infringment, which initially may not be apparent, and thus enable the intellectual property owner to take action against the appropriate party.

The decision below creates great uncertainty concerning the possible consequences of sending such letters prior to the commencement of litigation. The Tenth Circuit held that this common pre-litigation strategy exposes trademark

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1. Consent letters from both parties are being filed with the Clerk contemporaneously with this brief. This amicus curiae brief was funded solely by the INTA and authored entirely by counsel for the INTA.

owners to the risk of retaliatory lawsuits based on a series of claims including, but not limited to, tortious interference with contract, negligence, *prima facie* tort, and libel. The holding thus excludes cease-and-desist letters from the immunities ordinarily granted to right-holders who assert well-founded claims under this Court's *Noerr-Pennington* doctrine and the First Amendment right to petition. It rests on two untenable distinctions: (i) between activities that are incidental to litigation, such as cease-and-desist letters, as opposed to the actual commencement of a lawsuit; and (ii) between immunity from retaliatory lawsuits alleging antitrust claims and lawsuits that raise other, sometimes closely related, substantive claims.

INTA urges the Court to grant *certiorari*. The Tenth Circuit's decision will have a chilling impact on trademark owners and ultimately may harm consumers because it threatens important pre-litigation trademark protection practices and ignores the beneficial purposes served by such measures. It effectively requires trademark owners to shoot first and ask questions later. This approach benefits nobody: not the trademark owner, not the alleged infringer, not the courts, and not the public. Further, the holding is inconsistent with precedent protecting the reasonable, good faith pre-litigation assertion of substantive rights from legal liability, and with congressional recognition of the heightened need for stronger laws protecting trademarks and other forms of intellectual property.

STATEMENT OF INTEREST OF THE *AMICUS CURIAE*

INTA is a not-for-profit organization whose more than 3,800 members have a special interest in trademarks. INTA's membership includes trademark owners, law firms, advertising agencies, package design firms and professional associations from the United States and 119 other countries. All share the goals of emphasizing the importance of trademarks and trademark protection, and of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition. INTA members frequently are participants in trademark litigation, and therefore are interested in the development of clear and consistent principles of trademark and unfair competition law. INTA has substantial expertise in trademark law and has selectively participated as an *amicus curiae* in cases involving vital trademark issues.[2]

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2. Cases in which INTA has filed *amicus* briefs include: *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S. Ct. 1339 (2000); *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank.*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *WarnerVision Entertainment Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982); *In re Borden, Inc.*, 92 F.T.C. 669 (1978), *aff'd sub nom Borden, Inc. v. Fed. Trade Comm'n*, 674 F.2d 498 (6th Cir. 1982), *vacated*

(Cont'd)

INTA was founded in 1878 as the "United States Trademark Association," in part to encourage the enactment of federal trademark legislation after this country's first trademark act was declared unconstitutional. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with each subsequent trademark act, or amendment thereof, including the Trademark Law Revision Act of 1988, *see, e.g.*, 134 Cong. Rec. S16974 (daily ed. Oct. 20, 1988) (statement of Sen. DeConcini), the Federal Trademark Antidilution Act of 1995, *see, e.g.*, H.R. Rep. No. 104-879, 104th Cong., 2d Sess. (1997) (noting use of testimony from INTA's executive vice president), and the recent Anticybersquatting Consumer Protection Act of 1999, *see, e.g.*, S. Rep. No. 106-140, 106th Cong., 1st Sess. (1999) (relying on statements by INTA's president, made before the Senate Committee on the Judiciary).

INTA has a particular interest in this case because a grant of *certiorari* will enable the Court to address the important issues raised in the case and give trademark owners the clear guidance necessary for them to manage their enforcement efforts. The decision in *Cardtoons* undermines this clarity, and presents trademark owners with a harsh dilemma: remaining silent in the face of the infringement of their rights or being forced to commence a costly litigation without the ability to first protest with the aim of reaching an amicable resolution.

(Cont'd)

and remanded, 461 U.S. 940 (1983); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975); *Century 21 Real Estate Corp. v. Nevada Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979).

ARGUMENT

The Tenth Circuit's holding in *Cardtoons* has grave consequences for trademark owners and ultimately for the consuming public. The Tenth Circuit held that a cease-and-desist letter asserting federal and other rights exposes intellectual property owners to a broad range of retaliatory claims. By so doing, the Tenth Circuit has cast serious doubt on traditional practices that trademark owners, asserting trademark and associated rights under the Lanham Act,[3] had relied upon as being immunized.

The Tenth Circuit's holding would strictly limit immunity in the litigation context to actions filed directly with a court. *See Cardtoons*, 2000 WL 358414, at *7 (holding that "a letter from a private party to a private party simply does not implicate the right to petition, regardless of what the letter threatens"). The uncertainties the decision creates thus extend well beyond cease-and-desist letters, to all attempts to engage in private resolution of trademark and other intellectual property disputes in lieu of litigation. If left standing, the impact of the *Cardtoons* decision will be to dissuade trademark owners from employing many of the best and most efficient mechanisms for ensuring that their rights are respected, resulting in

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3. In *Cardtoons*, MLBPA asserted that the defendant Cardtoons had violated the rights of publicity of MLBPA's union members under state law. Rights of publicity are, however, also protected under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and can be enforced under this section as claims for false endorsement. *See, e.g., White v. Samsung Elecs. Am., Inc.*, 971 F.2d 1395 (9th Cir. 1992); *Allen v. National Video, Inc.*, 610 F. Supp. 612 (S.D.N.Y. 1985); *Prudhomme v. Procter & Gamble Co.*, 800 F. Supp. 390 (E.D. La. 1992).

increased litigation and increased costs, both financial and otherwise, a result condemned by Congress. *See, e.g.*, S. Rep. No. 106-140, 106th Cong., 1st Sess., at 7 (1999) ("[U]ncertainty as to trademark law's application . . . has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.")

The practical impact of the Tenth Circuit's decision on customary trademark enforcement steps cannot be overstated. The dissenters in *Cardtoons* were quite right to note that "[c]ease-and-desist letters are frequently used by businesses and individuals to protect their intellectual property rights." 2000 WL 358414, at *13 (Lucero, J., dissenting) (citing Ronald B. Coolley, *Notifications of Infringement and Their Consequences*, 77 J. Pat. & Trademark Off. Soc'y 246, 246 (1995) (describing notification to suspected intellectual property infringers as a "common reaction" of rights holders)). A recent search of the trademark library in LEXIS discloses countless reported cases involving pre-litigation letters. *See, e.g.*, *Wal-Mart Stores v. Samara Bros.*, 120 S. Ct. 1339, 1342 (2000); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000); *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 171 (2d Cir. 2000); *Recording Indus. Ass'n v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 1074 (9th Cir. 1999); *Lucent Info. Management, Inc. v. Lucent Technologies, Inc.*, 186 F.3d 311, 314 (3d Cir. 1999); *see also Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank and United States*, 527 U.S. 627, 654 n.5 (1999) (Stevens, J., dissenting) (noting that "[t]he first step in enforcing a patent is usually to send a cease-and-desist or charge of infringement letter" (quoting Pokotilow & Siegal, *Cease and*

Desist Letters: The Legal Pitfalls for Patentees, Intellectual Property Strategist 1 (Dec. 1997)). The number of lawsuits actually filed, however, represents but a small fraction of the overall trademark enforcement effort in which businesses engage.

Furthermore, in the vast majority of cases, the use of pre-litigation cease-and-desist letters facilitates settlement out of court. Many trademark violators are unaware of their violations or are willing to stop their infringing conduct once they receive notice of the problem in the form of a private communication from the trademark owner. In other cases, such letters help establish either facts about the alleged infringer's activities that resolve the matter for the trademark owner with only minor or no changes in use by the alleged infringer, or defenses that the alleged infringer may have, resulting in amicable resolution. In still other cases, use of a cease-and-desist letter enables the trademark owner to identify the ultimate sources of offending merchandise, and thus avoid litigation against parties whose role is merely tangential. In short, early notice of an infringement to a trademark violator by means of a cease-and-desist letter, before a significant investment of time and resources into such infringing activity has been made, facilitates settlement and the discontinuance of such infringing activity in a great majority of cases. A simple cease-and-desist letter often effectively ends the dispute between the parties, without the need to flood the federal district courts with complaints about every act of possible infringement.

Moreover, a trademark owner generally cannot sue for infringement unless the infringing activity has already commenced or is truly imminent. For example, the filing of an "intent-to-use" application in the U.S. Patent and

Trademark Office for a potentially infringing mark, in and of itself, is unlikely to be a sufficient grounds for suit. Accordingly, many trademark owners send a warning letter or letter of inquiry when such an "intent-to-use" application is filed in order to resolve any conflict early before the applicant becomes heavily invested in the mark in question. If trademark owners are required to wait until use has commenced or is about to commence, and then file suit rather than send a letter, resolution of many disputes would become more difficult and costly. The alleged infringer surely would have preferred to hear the plaintiff's concerns long before the launch of a product or service bearing the offending mark, so that these concerns could be addressed or rebutted in amicable negotiations, rather than in a court proceeding that may potentially enjoin shipment of a product and threaten the company's business or even its existence.

Pre-litigation cease-and-desist letters also play a critical role in helping trademark owners to establish the kind of vigilance necessary to obtain preliminary injunctive relief. As the dissent in *Cardtoons* recognized, "such letters are often the first formal step in the process of enforcing the law of intellectual property . . . [and] frequently [are] . . . followed by the filing of a complaint with a court . . . for injunctive relief." 2000 WL 358414, at *14 (Lucero, J., dissenting) (citing Coolley, *Notifications of Infringement and Their Consequences*, at 246). Unless requests for such relief are sought quickly, trademark owners risk undercutting the presumption of irreparable harm that normally flows from infringing conduct and is necessary for the issuance of a preliminary injunction. *See, e.g., Citibank, N.A. v. Citytrust*, 756 F.2d 273, 276 (2d Cir. 1985). It has been held that the sending of a timely cease-and-desist letter, followed by a period of good faith settlement negotiations, will, by contrast, allow

trademark owners to preserve this presumption of harm. *See, e.g., Avent America, Inc. v. Playtex Prods., Inc.*, 68 F. Supp. 2d 920, 933 (N.D. Ill. 1999) (rejecting claim that delay in filing complaint rebutted presumption of irreparable injury because earlier cease-and-desist letter constituted timely and vigilant enforcement attempt); *Boustany v. Boston Dental Group, Inc.*, 42 F. Supp. 2d 100, 112 (D. Mass 1999) (same); *Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino*, 945 F. Supp. 563, 574 (S.D.N.Y. 1996) (same). If the Tenth Circuit's decision dissuades trademark owners from sending cease-and-desist letters, the result is likely to be an increase in requests for immediate injunctive relief, further burdening the federal judiciary.

Use of pre-litigation practices also should be encouraged because many trademark owners are individuals or small businesses for whom the filing of a complaint can be a very costly and daunting prospect. This is especially so when it is unclear whether there is even a dispute with the other party, whether there is a need for additional information or clarification, or whether the other party has or can articulate a reasonable defense. Were the filing of a complaint the only way for trademark owners to begin enforcing their rights, airing their disputes, and determining their adversaries' positions, this alone might suffice to dissuade smaller trademark owners from making some well-founded assertions. Indeed, even larger companies cannot pursue every potential violation of their trademark rights in court. Thus, businesses large and small may be discouraged from enforcing their trademark rights in some instances if *Cardtoons* forces them to choose between commencing a potentially costly litigation and doing nothing.

For all of these reasons, it is clear that the failure to promptly send pre-litigation cease-and-desist letters will perpetuate consumer confusion in the marketplace. That plainly is not in the public interest. To the contrary, the effective and efficient enforcement of trademark rights prevents customer confusion while fostering increased product quality, effective commerce, and fair competition. Congress explained this point well in 1946 in connection with passage of the Lanham Act, noting that trademarks

> are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. [They] encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect [such symbols], therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.

S. Rep. No. 333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1275. More than forty years later, when Congress passed the Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (1988), Congress again acknowledged the consumer benefits of strong trademark laws. *See* S. Rep. No. 100-515, 100th Cong., 2d Sess. (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5580 ("Trademark protection is important to both consumers and producers.") ("Trademarks encourage competition, promote economic growth and can raise the standard of living of an entire nation.").

If — as INTA believes — the Tenth Circuit's holding is in error, the holding thus improperly handicaps the rights of trademark owners to the detriment of the parties, the courts and the consuming public. The uncertainties created by the decision also may threaten important First Amendment values and provide a further and independent reason for the Court to add clarity to this area of the law. *Cf., e.g., Whisenhunt v. Spradlin,* 464 U.S. 965 (1983) (noting that the Court has "demand[ed] greater precision in laws . . . which may abridge First Amendment right"); *Shuttlesworth v. City of Birmingham,* 394 U.S. 147, 150-51 (holding that uncertainties in executive practice are grounds for withdrawing discretion that would otherwise chill First Amendment rights). As this Court has often noted, First Amendment rights such as these require not just protection, but "breathing space" to survive. *See, e.g., New York Times Co. v. Sullivan*, 376 U.S. 254, 272 (1964); *NAACP v. Button*, 371 U.S. 415, 433 (1963).

Finally, the Tenth Circuit's decision is inconsistent with the spirit and intent of recent federal legislation protecting the rights of intellectual property owners. By compelling trademark owners to file suit every time they learn of a situation that may violate their rights, the Tenth Circuit effectively has diminished the value of trademarks in an era in which Congress repeatedly has recognized that intellectual property rights are under siege and should be strengthened. On several occasions in the last twelve years, Congress has enacted litigation to increase the scope of protection for trademarks. These enactments include the Trademark Law Revision Act of 1988 ("TLRA"), Pub. L. No. 100-667, 102 Stat. 3935 (1988), the Federal Trademark Dilution Act of 1995 ("FTDA"), Pub. L. No. 104-98, 109 Stat. 985 (1995), and the recent Anticybersquatting Consumer Protection Act

of 1999 ("ACPA"), Pub. L. No. 106-1131, 113 Stat. 1501 (1999). Indeed, before the recent passage of the ACPA, many violators of trademarks refused to acknowledge that trademark rights even existed in cyberspace, and trademark rights were being violated *en masse*. *See, e.g.*, S. Rep. No. 106-140, 106th Cong., 1st Sess., at 7 (1999) (report on ACPA) ("Trademark owners are battling thousands of cases of cybersquatting each year."). In passing each of these acts, Congress found that trademark rights are not being sufficiently honored and that further legal protection for these rights and further clarity concerning their scope is therefore warranted. *See, e.g.*, *id.* S. Rep. No. 100-515, 100th Cong., 2d Sess. (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5580 (report on the TRLA) ("[The Lanham Act] is now in need of updating and fine-tuning to reflect changes in other laws and business practices. . . .") ("[The TRLA] improves protection of those symbols that are among the Nation's most valuable assets."); H.R. Rep. No. 104-374, 104th Cong., 1st Sess. (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029 (report on the FTDA) ("A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection . . . ."). In light of these congressional statements, it makes no sense to discourage attempts by trademark owners to assert their rights in pre-litigation cease-and-desist letters.

CONCLUSION

The Tenth Circuit's decision in *Cardtoons*, along with the attendant uncertainty it creates nationwide, are forcing trademark owners into the unwieldy position of having to strike first in court and ask questions later, or remain silent in the face of infringement of their rights. In addition to burdening the courts, this state of affairs inhibits the assertion of rights of intellectual property owners and undermines the important public interests that these rights serve. It does so at a time when the need for trademark protection is at a high, and it hinders the important policies favoring the promotion of judicial economy and the use of alternative dispute resolution processes. These factors make the federal question at issue one of great importance for trademark owners and for the general public alike. For these reasons, INTA respectfully requests that the Court issue a writ of *certiorari* to the Tenth Circuit Court of Appeals to review this case and to clarify this very important area of the law.

Respectfully submitted,

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No. 00-39

In The

Supreme Court of the United States

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,

Petitioner,

v.

CARDTOONS, L.C.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

BRIEF AMICI CURIAE OF ETW CORP. AND IMG IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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PARTIES TO THIS AMICI CURIAE BRIEF

Neither ETW Corp. nor IMG have a parent corporation, and neither issues any stock to the public. *See* S.Ct. R. 29.6.

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BRIEF AMICI CURIAE IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Amici Curiae ETW Corp. ("ETW") and International Merchandising Corporation d/b/a International Management Group ("IMG") join in the petition for writ of certiorari submitted by the Major League Baseball Players Association, and respectfully ask this Court to review the judgment of the United States Court of Appeals for the Tenth Circuit for the reasons described below.[1]

INTERESTS OF AMICI CURIAE

ETW is a corporation that has been assigned all trademarks, rights of publicity, and other intellectual property rights associated with the name and likeness of professional golfer Eldrick "Tiger" Woods. IMG represents a number of professional athletes in the fields of football, baseball, golf, and tennis, including Arnold Palmer, Derek Jeter, Chris Evert, Joe Montana and Monica Seles. Both ETW and IMG evaluate licensing proposals for the intellectual property rights they administer, and protect those rights from unauthorized exploitation by others. Further, ETW has had to defend claims that it violated the law by sending cease-and-desist letters to protect its rights.[2]

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[1] No person or entity other than these *amici curiae*, its members, or its counsel, have made a monetary contribution to the preparation or submission of this brief. *See* S.Ct. R. 37.6.

[2] Those claims were made, and rejected, in *Arnold Palmer, et al. v. Gotta Have It Golf Collectibles, Inc.*, Case No. 97-0978-Civ-Seitz, presently pending in the United States District Court of

The ruling of the Tenth Circuit Court of Appeals that is the subject of the present petition threatens to adversely impact ETW's, IMG's, and all intellectual property owners' ability to protect their property.

SUMMARY OF ARGUMENT

This Court should review the decision of the Tenth Circuit Court of Appeals herein for a number of reasons.

First, the Tenth Circuit's decision has created a widening circuit split. The Second Circuit has just become the fourth appellate court to render a decision that conflicts with the Tenth Circuit. *PrimeTime 24 Joint Venture v. National Broadcasting Company, Inc., et al.*, 2000 U.S. App. LEXIS 15916, *26 (July 7, 2000).

Second, the Tenth Circuit's decision incorrectly decides an important and recurring issue. Both legislative and judicial policies strongly favor settlement of disputes. Virtually every court except the Tenth Circuit herein, including by implication this Court, have recognized that settlement discussions are necessarily incident to and a part of litigation. Cease-and-desist letters initiate settlement discussions. The Tenth Circuit's decision thus chills judicially desirable speech by an unnecessarily restrictive

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the Southern District of Florida. The district court there on July 20, 2000, dismissed the claim under the *Noerr-Pennington* doctrine based on *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1558 (11th Cir. 1992). *McGuire Oil Co.* is one of the three circuit decisions which the Tenth Circuit rejected. See Petition for Certiorari submitted by the Major League Baseball Players Association on or about July 6, 2000 ("Petition") pp. 14-15.

interpretation of the *Noerr-Pennington* doctrine and the First Amendment right to petition.

Third, the Tenth Circuit's decision adversely impacts all intellectual property owners by creating potential liability for legally mandated speech. The Digital Millennium Copyright Act and other provisions of the Copyright Act, the Lanham Act, and long established case law all require intellectual property rights owners to send cease-and-desist letters to protect intellectual property rights. The Tenth Circuit decision forces intellectual property owners to risk either a loss of rights or the contingent liability of a lawsuit whenever they discover what they believe to be unauthorized uses.

Finally, the Tenth Circuit's decision threatens to place extraordinary burdens on the federal court system by encouraging intellectual property owners to file suit before they commence settlement discussions. These *amici curiae* estimate that if only 10% of the intellectual property disputes now resolved without litigation through the cease-and-desist letter process instead commenced with litigation, there would be a 10 fold increase in the number of federal intellectual property suits filed, a number equal to about one-third of total federal civil filings. No legal, social, or judicial purpose is served by such a consequence.

ARGUMENT

I. THE TENTH CIRCUIT'S DECISION HAS CREATED A WIDENING CIRCUIT SPLIT

The Petition for Certiorari herein noted that three appellate courts have rendered decisions that conflict with the Tenth Circuit's decision in *Cardtoons, LC v. Major League Baseball Players Association*, 208 F.3d 885 (10th Cir. 2000). Petition, pp. 14-15.

A fourth circuit has now issued a ruling that also conflicts with the Tenth Circuit's decision. *PrimeTime 24 Joint Venture v. National Broadcasting Company, Inc., et al.*, 2000 U.S. App. LEXIS 15916 at *24 (2d Cir. July 7, 2000), notes that "courts have extended *Noerr-Pennington* to encompass concerted efforts incident to litigation, such as pre-litigation 'threat letters,' and settlement offers," (*internal citations omitted*), and adopts that rule as the law of the Second Circuit. *Id.* This latest holding underscores the widespread and important nature of the inter-circuit conflict created by the Tenth Circuit's decision.

II. THE TENTH CIRCUIT'S DECISION INCORRECTLY DECIDES AN IMPORTANT AND RECURRING ISSUE

A. The *Noerr-Pennington* Doctrine Should Apply To Settlement Discussions Because They Are Necessarily Incident To Litigation

(1) The Law Favors Settlement Of Disputes

This Court and numerous lower courts have recognized that "[s]ettlement of legal disputes is a highly favored course of conduct for which a party should be

rewarded, not penalized." *Veritronics Systems v. Merlin Equipment*, 682 F. Supp. 1203, 1209 (S.D. Fla. 1988). Legislative and judicial policies favoring settlement have been repeatedly affirmed in many contexts for this reason. *See United Steelworkers v. Warrior and Gulf Navigation Co.*, 363 U.S. 574, 582 (1960) (this Court acknowledges the "congressional policy in favor of settlement of disputes by the parties through the machinery of arbitration . . . "); *Eubanks v. Billington*, 110 F.3d 87, 95 (D.C. Cir. 1997) ("in the Title VII context as elsewhere public policy favors settlement of claims . . . "); *Isby v. Bayh*, 75 F.3d 1191, 1196 (7th Cir. 1996) ("Federal courts naturally favor the settlement of class action litigation"); *In re Pacific Enters. Sec. Litig.*, 47 F.3d 373, 378 (9th Cir. 1995) ("we have a 'strong judicial policy that favors settlement' "); *Little Rock School District of Pollasky County Special School District Number 1*, 921 F.2d 1371, 1383 (8th Cir. 1990) ("The law strongly favors settlements"); *Hemstreet v. Spiegel, Inc.*, 851 F.2d 348, 350 (Fed. Cir. 1988) ("the law strongly favors settlement of disputes . . . "); *Edwards v. Born, Inc.*, 792 F.2d 387, 390 (3rd Cir. 1986) ("A strong public policy exists in favor of settlements").

(2) Settlement Discussions Are Necessarily Incident To Litigation

Consistent with this principle, virtually all courts except the Tenth Circuit, including by implication this Court, have recognized that settlement discussions are necessarily incident to and a part of litigation, and thus protected by the *Noerr-Pennington* doctrine and the First Amendment's right to petition. For example, *Columbia*

Pictures v. Professional Real Estate Inv., 944 F.2d 1525, 1528 (9th Cir. 1991), characterized a proposal to enter into a licensing agreement for copyrighted material as an offer of settlement, and held that "a decision to accept or reject an offer of settlement is conduct incidental to the prosecution of the suit and not a separate and distinct activity which might form the basis for antitrust liability." *Id.* This Court's affirmance of the Ninth Circuit's decision noted that the Ninth Circuit "held that Columbia's alleged refusal to grant copyright licenses was not 'separate and distinct' from the prosecution of its infringement suit." Impliedly agreeing with that holding, this Court ruled that it would "not consider whether Columbia could have made a valid claim of immunity for anticompetitive conduct independent of petitioning activity." *Real Estate Investors v. Columbia Pictures*, 508 U.S. 52, 54 n. 2 (1993).

Other courts have recognized that threats of litigation are necessarily incident to litigation and thus protected by the right to petition. As the Fifth and Eleventh Circuits have reasoned:

> "[G]iven that petitioning immunity protects joint litigation, it would be absurd to hold that it does not protect those acts reasonably and normally attendant upon effective litigation. The litigator should not be protected only when he strikes without warning. If litigation is in good faith, a token of that security is a warning that it will be commenced in a possible effort to compromise the dispute."

McGuire Oil Co., supra, 958 F.2d at 1560, quoting *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1367 (5th Cir.

1983). Numerous other courts have so held. *See* Petition, pp. 13-17, and cases cited therein.

(3) Cease-And-Desist Letters Initiate Settlement Discussions

A cease-and-desist letter is the universally accepted and, generally, very successful beginning of settlement discussions. ETW and IMG, between them, sent over 100 cease-and-desist letters per year in the three years before the Tenth Circuit's decision herein to those who they believe infringed their rights. Virtually all of those disputes were resolved without litigation. ETW Corp. and IMG have had to file only three suits to protect intellectual property rights during that same period because of the dialogue begun with cease-and-desist letters,[3] resulting in a settlement success rate of over 99%.

The Tenth Circuit's decision thus chills the most judicially desirable speech imaginable. It establishes liability for engaging in the speech needed to commence settlement discussions that might avoid litigation, in contravention of the compelling public policies that favor settlement of disputes and contrary to the great weight of authority on this issue. Settlement discussions that make litigation unnecessary are, if anything, more deserving of legal protection than litigation itself, as virtually every court to consider the issue except the Tenth Circuit has

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[3] *See ETW Corp. v. Franklin Mint*, Case No. CV-97-4393 (KMW) (C.D. Cal. 1997); *ETW Corp. v. Jireh*, Case No. 1:98 CV 1485 (E.D. Oh. 1998) and *Arnold Palmer et al. v. Gotta Have It Collectibles, supra.*

recognized. The right to petition should and does include the right to engage in communications that will avoid or terminate petitioning activity, and the Tenth Circuit's decision makes an important error when it fails to recognize that principle.

B. The Tenth Circuit's Decision Adversely Affects All Intellectual Property Owners

Intellectual property law requires intellectual property owners to communicate with third parties to create or avoid a loss of rights in various circumstances. For example, the Digital Millennium Copyright Act requires a copyright owner to put an online service provider on written notice that infringing material is being distributed on its website before the service provider can be liable for unauthorized distribution of copyrighted works. *See* 17 U.S.C. § 512(c). This notice takes a statutorily mandated form virtually identical to the cease-and-desist letter ruled upon by the Tenth Circuit, with the copyright owner advising the service provider that a third party is infringing the owner's copyright. *See* 17 U.S.C. § 512(c)(3)(i)-(vi).

Cease-and-desist letters can be important evidence in litigation. Both the Copyright Act and Trademark Act contemplate the potential enhanced statutory damages from willful infringers. *See* 15 U.S.C. § 1117(c) and 17 U.S.C. § 504(c)(2). A cease-and-desist letter places a party on notice of their infringing activity and helps establish the evidentiary predicate to willful infringement before suit is filed. *Nutrivida, Inc. v. Immuno Vital, Inc.*, 46 F. Supp. 2d 1310, 1318 (S.D. Fla. 1998) (continued

infringement after receipt of cease-and-desist letter evidences intentional infringement).

Cease-and-desist letters are necessary to protect trademark rights in various settings. In at least some federal circuits, unauthorized use of a trademark can weaken the protections it affords. *See, e.g., General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 626-27 (8th Cir. 1987) ("evidence of third party usage of similar marks on similar goods is admissible and relevant to show that the mark is relatively weak and entitled to a narrow scope of protection"); *Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association*, 651 F.2d 311, 316 (5th Cir. 1981) (third party use of mark relevant to show lack of confusion); J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:88 (2d Ed. 1999). Some courts have ruled that widespread use of a mark by unauthorized third parties can result in abandonment of rights in that trademark. *See, e.g., UNCAS Manufacturing Co. v. Clark and Coombs Co.*, 309 F.2d 818 (1st Cir. 1962) (failure to take action against infringers probative of abandonment); J. Thomas McCarthy, *McCarthy on Trademarks, supra*, § 17:17. Cease-and-desist letters allow an owner to challenge unauthorized uses, preserve the strength of a mark, and avoid abandonment of rights.

Finally, cease-and-desist letters are needed to cut off equitable defenses. The doctrines of laches, waiver, and estoppel are in certain circumstances available to a party who engages in prolonged, unauthorized use of another's intellectual property rights. *See, e.g., Elvis Presley Enterprises, Inc. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998); *AIG v. American International Bank*, 926 F.2d 829, 831 (9th Cir. 1991); *Slaverak v. Davis-Cleaner Producer Co.*, 606 F.2d 208,

213 (7th Cir. 1979); *see also, McCarthy on Trademarks, supra,* § 31:1 *et seq.* Such defenses can be cut off by cease-and-desist letters, which unequivocally place an unauthorized user on notice that its conduct is not permitted or approved. *See Elvis Presley Enterprises, Inc., v. Capece, supra,* 141 F.3d at 205 ("any acts after receiving a cease-and-desist letter are at the defendant's own risk because it is on notice of the plaintiff's objection to such acts"); *Citibank, N.A. v. Citibank Group, Inc.,* 724 F.2d 1540, 1546-47 (11th Cir. 1984) (no unreasonable delay where defendant expanded infringing use in the face of plaintiff's complaints).

Thus, the Tenth Circuit's decision not only chills judicially desirable speech that settles disputes, it exposes all intellectual property owners to legal liability for engaging in speech the law requires, even if the legal positions asserted in those communications are objectively reasonable. It forces intellectual property owners to choose either the possible weakening or loss of rights if they fail to engage in required communications with unauthorized users, or a lawsuit if they initiate such communications, with the added expense such a suit entails. Literally every intellectual property owner in the United States who seeks to preserve its rights now faces this dilemma, and will continue to do so until and unless this Court reviews the Tenth Circuit's decision.

C. The Tenth Circuit's Decision Threatens A Dramatic And Unnecessary Increase In Federal Litigation

The Tenth Circuit's decision also threatens to place additional burdens on the federal court system because of the additional suits intellectual property owners may feel compelled to file to avoid the contingent liabilities the Tenth Circuit has created. Intellectual property rights are predominantly federal in nature, and they constitute a significant portion of the federal judiciary's civil docket. In 1998 about 7,700 federal suits were filed alleging infringement of copyrights, trademarks, or patents, out of about 257,000 total civil filings. Leonidas Ralph Meechan, *Judicial Business of the United States Courts-1999 Annual Report of the Director*, Administrative Office of the United States Courts, Tables C-2A and S-7.[4]

An exponentially larger number of disputes did not need to be filed because of the dialogue initiated by cease-and-desist letters. ETW and IMG have over a 99% settlement rate for their cease-and-desist letters as described above. They are only two intellectual property owners. Available data indicates that there are at least hundreds of thousands, if not millions, more. In 1998 alone, the Patent and Trademark Office issued about 106,000 federal trademark registrations and 63,000 patents. *U.S. Patent and Trademark Office, U.S. Patent*

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[4] This report and those tables are viewable online at "www.uscourts.gov/judbus1999/supps.html."

Statistics, Calendar years 1963-99;[5] *Fiscal Year 1998 Patent and Trademark Office Review, Trademark Overview.*[6] The U.S. Copyright Office issued about 557,000 federal copyright registrations. Library of Congress, *Copyright Office Annual Report,* as summarized in U.S. Census Bureau, *Statistical Abstract Of The United States: 1999,* p. 585. Thus, there were about 825,000 intellectual property registrations in that year alone. Comparable numbers of registrations have, of course, issued for decades.

If each registrant described above averaged two registrations per year, there would be about 412,000 intellectual property owners in 1998. If only 2% of those owners sent the same number of cease-and-desist letters that ETW and IMG did that year, 820,000 settlement proposals would have been sent by those owners alone. If those parties settled their disputes without litigation at a rate comparable to these *amici curiae,* less than 1%, or about 8,000 suits, would have been filed.[7]

The Tenth Circuit's decision risks a dramatic increase in federal litigation by requiring intellectual property rights owners to sue first and negotiate later to avoid potential liability. While some intellectual property rights owners will, undoubtedly, elect to assume that risk and send cease-and-desist letters to avoid a suit, even a small

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[5] This document is viewable in pdf format at "http://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm".

[6] This document is viewable in pdf format at "http://www.uspto.gov/web/offices/com/annual/1998/a98r-3.htm".

[7] In fact, about 7,750 intellectual property related suits actually were filed that year. *Judicial Business, supra,* Table C-2A.

increase in litigation could significantly increase the burden placed on federal courts. If only 10% of the disputes these *amici curiae* estimate are now resolved without litigation above were, instead, commenced as civil lawsuits to avoid liability, there would be about 80,000 additional federal intellectual property suits filed every year, a number more than 10 times higher than the total number of copyright, trademark, and patent suits filed in 1998 or 1999, and almost one-third of the total civil filings for both years.[8] *See Judicial Business of The Courts, supra,* Tables C-2A and S-7. This additional legal expense and judicial burden serves no judicial or social purpose, and is present only because of an unnecessarily constricted interpretation of a doctrine that conflicts with what was previously settled law. Review is needed so that the Court can more fully evaluate whether the significant additional liability, expense and burden created by the Tenth Circuit's decision is legally necessary.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

Dated: August 7, 2000 MANATT, PHELPS & PHILLIPS, LLP

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[8] If 30% initiated suit before settlement discussion to avoid the liability potentially created by the Tenth Circuit's decision herein, federal court's civil case load would double.

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IN THE

Supreme Court of the United States

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,
Petitioner,

v.

CARDTOONS, L.C.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR CERTIORARI

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REPLY BRIEF IN SUPPORT OF PETITION FOR CERTIORARI

In this case, the *en banc* court of appeals held that an objectively reasonable threat of litigation is not protected from retaliatory state law claims by the *Noerr-Pennington* doctrine or the First Amendment right to petition on which that doctrine is founded. Unlike respondent Cardtoons, the *en banc* majority and dissenting judges recognized that the ruling creates a conflict among the courts of appeals and is in tension with decisions of this Court; that the issue is important and recurring; and that the court of appeals' holding "encourages, nay demands, more litigation." App. 17a. Moreover, and again contrary to Cardtoons, this case squarely presents the legal issue in question: Petitioner MLBPA sent Champs an objectively reasonable cease-and-desist letter based on its contributory infringement of Major League Players' publicity rights, and Cardtoons alleged that this letter by itself constituted tortious conduct. Nor does the existence of additional state law defenses to Cardtoons' retaliatory tort claims militate against certiorari to review the federal question presented and decided below. The MLBPA had a constitutional right to send an objectively reasonable cease-and-desist letter to Champs, and that right should not be chilled or infringed by the burden of defending retaliatory state law tort claims that are based solely on such a letter. For all of these reasons as well as others set forth in the petition, this Court should grant certiorari.

I. THERE IS A CONFLICT AMONG THE COURTS OF APPEALS ON THE QUESTION PRESENTED.

There is no merit to Cardtoons' claim that the court of appeals' holding does not create a conflict on the question presented by this case. Until this case, all courts of appeals which considered the question applied the *Noerr-Pennington* doctrine and the right to petition to protect objectively

reasonable lawsuits and cease-and-desist letters from retaliatory claims. Cardtoons asserts, however, that the Tenth Circuit is the first court of appeals to decide the specific question whether the *Noerr-Pennington* doctrine and the right to petition protect objectively reasonable *cease-and-desist letters* from retaliatory *state law tort claims* and therefore that its decision does not create a conflict.

This argument surely has the tail wagging the dog. The *Noerr-Pennington* doctrine is founded on the right to petition, and the scope of the protection it provides to petitioning activity is strictly a function of the *constitutional right* to be preserved, not the statutory right or duty alleged to be violated. See Pet. 12. Indeed, any other approach would be flatly inconsistent with the rule that an antitrust exemption must be narrowly confined and no broader than absolutely necessary to protect the relevant basis for creating an immunity. See *Square D Co.* v. *Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409, 421 (1986). If objectively reasonable cease-and-desist letters are protected from retaliatory antitrust claims under the *Noerr-Pennington* doctrine, this can only be so because such letters constitute petitioning activity within the meaning of the First Amendment and are protected from all retaliatory claims, be they antitrust claims or state law tort claims.

This point also follows inexorably from decisions of this Court which have clearly held that objectively reasonable petitioning activity is protected from all retaliatory lawsuits, not just antitrust claims. See Pet. 12-13 (discussing, *inter alia*, *Bill Johnson's Rests., Inc.* v. *NLRB*, 461 U.S. 731, 734 (1983) (protecting right to petition from retaliatory claim under the National Labor Relations Act); *Professional Real Estate Investors, Inc.* v. *Columbia Pictures Indus., Inc.*, 508 U.S. 49, 59 (1993) ("*PREI*") (noting that the right to petition applied "in other contexts")). The courts of appeals have faithfully followed this teaching. See *id.* 11-12. There is *nothing* in federal antitrust law or this Court's decisions that

even remotely suggests that the scope of the right to petition varies based on the law the petitioning activity is alleged to violate. "There is simply no reason that a common-law tort doctrine can any more permissibly abridge or chill the constitutional right to petition than can a statutory claim such as antitrust." *Video Int'l Prod., Inc.* v. *Warner-Amex Cable Communications, Inc.*, 858 F.2d 1075, 1084 (5th Cir. 1988). See also Gary Myers, *Antitrust and the First Amendment Implications of Professional Real Estate Investors*, 51 Wash. & Lee L. Rev. 1199, 1240 (1994) ("[t]here is no reason to believe . . . that these [*Noerr-Pennington*] principles are limited to antitrust cases").[1]

The *en banc* majority did not even attempt to explain why the right to petition would protect objectively reasonable cease-and-desist letters against antitrust claims and no others, Pet. 12-13; and Cardtoons' brief contains no enlightenment, Opp. 15-17. This is because the argument is a contrivance. There is, in fact, no reason that petitioning activity should receive greater protection from retaliatory antitrust claims than from other retaliatory claims. Indeed, as set forth in the petition, the *en banc* majority forthrightly accepted that it was overruling a panel decision that was in accord with decisions of other courts of appeals, App. 4a, 14a; and the dissent expressly stated that it would "follow other federal courts" and hold that objectively reasonable threats of litigation are pro-

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[1] Cardtoons weakly contends that, in any event, *CVD, Inc.* v. *Ratheon Co.*, 769 F.2d 842 (1st Cir. 1985), and *Alexander* v. *National Farmers Org.*, 687 F.2d 1173 (8th Cir. 1982), cannot be considered part of the conflict, because they hold that *bad faith* threats to litigate are not protected by the *Noerr-Pennington* doctrine. The MLBPA did not cite these cases as directly in conflict with the decision at issue, but rather contended that they carry a strong implication that *good faith* threats to litigate would be protected. They therefore stand for the proposition that the right to petition may extend to threats of litigation.

tected by the right to petition, *id.* 27a-28a.[2] Cardtoons' attempt to obscure a conflict that is manifest in the opinions of the court below should be rejected.

In the petition, the MLBPA showed that three courts of appeals and many district courts have held that objectively reasonable cease-and-desist letters are protected petitioning activity that may not be the subject of retaliatory suit. See Pet. 14-16; see also, *e.g.*, *Coastal States Mktg., Inc.* v. *Hunt*, 694 F.2d 1358, 1367 (5th Cir. 1983) (flatly rejecting the argument that "because threats of litigation are not directed to a government, they do not fall within the rationale of *petitioning immunity*") (emphasis supplied). After the petition was filed, yet another circuit concurred with the majority view. *PrimeTime 24 Joint Venture* v. *NBC*, No. 98-9392, 2000 WL 913348 (2d Cir. July 7, 2000). Whether it is denominated *Noerr-Pennington* protection or petitioning protection,[3] the Tenth Circuit's holding creates a conflict among the courts of appeals on the scope of protection from retaliatory suit that the right to petition provides. This Court

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[2] As a subsequent Tenth Circuit panel explained, in *Cardtoons*, the court held "that a cease-and-desist letter to a private party does not constitute petitioning activity" and thus is not protected, *Scott* v. *Hern*, 216 F.3d 897, 914-15 n.9 (10th Cir. 2000). The other courts of appeals and district courts to consider the question have reached the contrary conclusion. Pet. 14-16.

[3] Cardtoons spends several pages asserting that the court of appeals' decision is "consistent" with *McDonald* v. *Smith*, 472 U.S. 479 (1985), because it shows that the petition clause and not the *Noerr-Pennington* doctrine governs here. Opp. 20-21. Cardtoons misunderstands our point, which is that the petition clause protects objectively reasonable cease-and-desist letters from retaliatory suit under *either* the antitrust laws or state tort law. Cardtoons also asserts that its libel claim is governed by this Court's analysis in *McDonald*. As explained in the petition, however, *McDonald* is consistent with *PREI*, and both recognize that statements made in the course of petitioning activity must be made with probable cause – *i.e.*, must be objectively reasonable – and that, if they satisfy this requirement, they are protected. *See* Pet. 22-23 n.10.

should grant the petition for certiorari to resolve the conflict on this important and recurring question.

II. THERE IS NO CONFLICT BETWEEN THE RIGHT TO PETITION AND OTHER LAWS.

Cardtoons does not directly address the MLBPA's argument that the Tenth Circuit's decision is wrong on the merits. See Pet. 21-27. Instead, Cardtoons makes a series of arguments that the scope of the First Amendment right to petition cannot encompass objectively reasonable threats of litigation, because such an interpretation would lead to the invalidation of other laws that burden objectively reasonable litigation activity. These arguments do not address whether certiorari should be granted in this case. Nonetheless, we briefly show that the general contention lacks merit.

First, this contention attacks not the MLBPA's argument that the right to petition protects cease-and-desist letters, but rather this Court's holding in *PREI*, that all objectively reasonable petitioning activity is protected by the First Amendment, regardless of the subjective intent of the petitioner. It is *PREI* that calls into question the constitutionality of laws that penalize objectively reasonable petitioning activity, not the MLBPA's argument.

Second, the constitutional protection of objectively reasonable petitioning activity does not preclude sanctions for conduct that is independent of the petitioning itself. For example, Cardtoons argues that the right to petition as authoritatively construed by this Court in *PREI* eliminates the tort of abuse of process because that tort imposes liability on litigants for objectively reasonable petitioning activity. This argument simply ignores the elements of the tort:

> [T]he essential elements of abuse of process [are] first, an ulterior purpose, and second, a wilful act in the use of the process not proper in the regular conduct of the proceeding. *Some definite act or threat not authorized by the process, or aimed at an objective not legitimate in*

> *the use of the process is required; and there is no liability where the defendant has done nothing more than carry out the process to its authorized conclusion, even though with bad intentions.* [W. Page Keeton et al., *Prosser & Keeton on the Law of Torts* § 121, at 898 (5th ed. 1984) (emphasis supplied).]

Abuse of process is a "form of extortion," and "*it is what is done in the course of negotiation, rather than the issuance or any formal use of the process itself, which constitutes the tort.*" *Id.* (emphasis supplied).[4] Moreover, to the extent that the tort of abuse of process has been more broadly construed, courts have in fact recognized that it must be narrowly interpreted and occasionally disallowed to avoid burdening petitioning activity. See, *e.g.*, *Oregon Natural Resources Council* v. *Mohla*, 944 F.2d 531, 533-34 (9th Cir. 1991).[5]

Third, Cardtoons asserts that if the petition clause protects all objectively reasonable petitioning activity, the courts would not be permitted to impose sanctions or attorneys' fees on litigants and lawyers who engage in bad faith conduct or to shift costs. The short answer to this meritless contention is

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[4] Cardtoons relies on *Grip-Pak, Inc.* v. *Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982), holding that *Noerr-Pennington* does not protect all objectively reasonable litigation. That decision preceded both *Bill Johnson's Restaurants, Inc.* v. *NLRB*, 461 U.S. 731 (1983), and *PREI*, 508 U.S. 49 (1993), and its holding was overruled by *PREI*.

[5] *See also DeVaney* v. *Thriftway Mktg. Corp.*, 953 P.2d 277, 284-85 (N.M. 1997), *cert. denied*, 524 U.S. 915 (1998); *Cove Road Dev.* v. *Western Cranston Indus. Park Assocs.*, 674 A.2d 1234, 1237-38 (R.I. 1996); *Protect Our Mountain Env't, Inc.* v. *District Court*, 677 P.2d 1361, 1362-64 (Colo. 1984) (en banc). *Cf. also Whelan* v. *Abell*, 48 F.3d 1247, 1254 (D.C. Cir. 1995) ("As *Noerr-Pennington* rests on the conclusion that the filing of claims in court or before administrative agencies is part of the protected right to petition, it is hard to see any reason why, as an abstract matter, the common law torts of malicious prosecution and abuse of process might not in some of their applications be found to violate the First Amendment").

that once parties are before a court, they are subject to the court's general supervisory authority. The petition clause is not implicated when courts exercise their supervisory authority over litigation and parties that are before them, unless the authority is exercised so unreasonably that it chills or burdens access to the courts. In this regard, it is noteworthy that where the imposition of sanctions may burden the right of access to the courts, the courts have been careful to protect that constitutional right. See, *e.g.*, *Townsend* v. *Holman Consulting Corp.*, 929 F.2d 1358 (9th Cir. 1990) (holding that the improper purpose clause of Rule 11(b)(1) cannot apply to an otherwise meritorious complaint even though a court could sanction a party for filing a meritorious motion for an improper purpose). [6]

In sum, Cardtoons' parade of horribles simply does not follow from the conclusion that the right to petition protects the sending of an objectively reasonable cease-and-desist letter. Moreover, and in any event, such speculation about future cases does nothing to diminish the need for the Court to review this case.

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[6] Cardtoons also claims that if the right to petition protects objectively reasonable threats of litigation, then Oklahoma may not allow a libel suit based on objectively reasonable statements made in bad faith. But the limits on Oklahoma's ability to impose tort liability on petitioning activity flow from this Court's decision in *McDonald* v. *Smith*, 472 U.S. 479 (1985). As noted *supra* at n.3, in that case, this Court held that petitioning activity is protected from liability based on libel unless statements in the petition are made with "malice" – that is, with "falsehood and the absence of probable cause." *Id.* at 484. Here, the MLBPA's statement that it "believe[d] that the activities of Cardtoons violate the valuable property rights of publicity of the MLBPA and the players' themselves" and are "illegal," *see* Pet. 5, was objectively reasonable, as all judges to address the question have held; it is therefore difficult to discern how that statement could have been made without probable cause.

III. THIS CASE IS AN EXCELLENT VEHICLE TO RESOLVE THE CONFLICT AND ADDRESS THE SCOPE OF THE RIGHT TO PETITION.

There is nothing to Cardtoons' other arguments designed to convince the Court that it should not resolve the conflict among the courts of appeals in this case.

Initially, Cardtoons asserts that because the MLBPA sent a cease-and-desist letter to Champs, a "remote third part[y]," as well as to Cardtoons, this case is unique and its facts are unlikely to recur. Opp. 8-9. This is nonsense. Champs is not a remote third party; Cardtoons contracted with Champs to print, package, warehouse and ship the cards alleged to violate Players' publicity rights. As the court of appeals explained, this made Champs a contributory infringer of the publicity rights of Major League Players and the MLBPA, see App. 42a-44a, and thus a "potential adversary," Opp. 8. Cf. also *Inwood Labs., Inc.* v. *Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) (defining contributory copyright infringement). There is no difference, accordingly, between the cease-and-desist letter sent to Champs and the thousands of other (objectively reasonable) cease-and-desist letters that rights-holders send to alleged infringers every year.[7]

Second, Cardtoons suggests several times that because in retrospect it appears that a cease-and-desist letter would not have prevented the litigation between it and the MLBPA, the MLBPA is somehow estopped from arguing that cease-and-desist letters may prevent unnecessary litigation. Opp. 8, 19,

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[7] Cardtoons' additional, gratuitous characterization of the letter as "predatory," Opp. 8, simply ignores the history of this case. Cardtoons' product violated the MLBPA's and the Players' publicity rights under Oklahoma law; the Oklahoma statute was deemed to violate the First Amendment only after this Court issued its decision in *Campbell* v. *Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). As all judges to consider the question have held, the letter was objectively reasonable. *See* Pet. 6, 10 & n.4.

22. Plainly, this is wrong. The MLBPA is a rights-holder and is well aware of the benefits that cease-and-desist letters and the negotiations they generate may often have. The MLBPA agrees that no policy interest can vitiate the meaning of the petition clause. But, as set forth in the petition (21-27), the policy interest in avoiding unnecessary litigation, in fact, supports the proper construction of the petition clause to protect objectively reasonable cease-and-desist letters.[8]

Last, Cardtoons maintains that the Court should not grant certiorari because this case is interlocutory. This fact does not affect the urgent need for this Court's review of the decision. Whatever might happen in the district court if this case were remanded, the court of appeals' decision on the scope of the right to petition is the law in the Tenth Circuit. The decision will have an impact beyond the geographic boundaries of the Circuit because our increasingly national economy gives litigants substantial flexibility in selecting a litigation forum.

Moreover, as described in the petition and in the briefs *amicus curiae* filed in support, the decision will have an immediate, widespread, chilling, and damaging impact on the constitutional rights and practices of rights-holders with attendant increases in litigation. See Pet. 17-21. The argument that a petition should be denied because it is interlocutory is least persuasive when the question is immunity from suit, because the substantial benefits of immunity are lost by virtue of extended litigation alone.

No further development of the factual or legal record is necessary for the Court to address the question presented. There is no dispute that the cease-and-desist letter was objectively reasonable, and the issue presented is whether such a letter is protected by the petition clause or whether a rights-

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[8] Cardtoons' brief argument that only direct petitions to the government are protected by the petition clause, Opp. 18-19, is fully answered at pages 21-27 of the Petition, and we do not repeat those arguments here.

holder may be subjected to retaliatory state tort lawsuits (in fifty possible permutations) for conduct invoking the judicial process. The MLBPA and other rights-holders lose the protection from suit to which they are constitutionally entitled if this occurs.

CONCLUSION

For the reasons set forth in the petition and herein, the petition for certiorari should be granted.

Respectfully submitted,

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